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Weekend FT
Serious novel, silly money

World Business Newspaper — FRIDAY APRIL 28 1995 — D8523A

Canadian property developer goes into bankruptcy

Ailing Canadian property developer and housebuilder, Bramalea, has gone into bankruptcy, leaving its creditors free to seize more than C$4bn (US$2.9bn) of office buildings, shopping malls and undeveloped land across North America. The Toronto-based company, which was in the process of selling off its assets, is the latest in a string of big Canadian developers which have struggled to survive the North American property slump under a heavy debt burden. Page 15

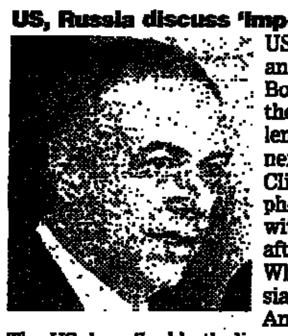
Travel booking system expands: Amadeus, the computerised reservation company owned by airlines Air France, Lufthansa of Germany and Iberia of Spain, is acquiring the reservation system of US carrier Continental Airlines, creating the world's largest travel booking network. Page 14

Sabena deal set for approval: The Belgian government is expected to approve Swissair's plan to acquire 49.5 per cent of Sabena, the troubled state-owned airline which yesterday announced a modest reduction in losses for last year, compared with 1993. Page 15

US anti-terrorism pledge: US Congressional leaders predicted swift action to enact new laws to meet the threat of terrorism following the Oklahoma City bombing. Searchers have found 11 more bodies bringing the confirmed death toll over 100.

Mandela cuts jail sentences: President Nelson Mandela marked South Africa's first year of democracy by cutting the sentences of tens of thousands of prisoners in overcrowded jails. Page 4

US, Russia discuss 'important problems':



US president Bill Clinton and Russian president Boris Yeltsin discussed the "important problems" they will face at next month's summit. Clinton spoke by telephone for 30 minutes with the Russian leader after private talks at the White House with Russian foreign minister Andrei Kozyrev (left). The US described both discussions as "positive and forward leaning."

Russian leaders at odds: Russian prime minister Victor Chernomyrdin said all government ministers would join the new centrist political movement he was creating but his claim was immediately rebuffed by foreign minister Andrei Kozyrev. Page 2

Concern over Churchill papers deal: The decision to use £14m ($23m) in money from the British national lottery heritage fund to buy the papers of wartime prime minister Sir Winston Churchill, has provoked concern. Page 8

Spanish face fishing ban: Thousands of Spanish and Portuguese fishermen may have to stop fishing off Morocco from Sunday night due to the delay in negotiating a new licensing agreement between the EU and Morocco. Page 4

Chile begins free trade talks next month: Negotiations over Chile's accession to the North American Free Trade Agreement will begin late next month, according to Chilean officials. Page 5

World Bank urged to be 'creative': The World Bank and regional development banks were told they must be "more flexible and creative" if they are to have a significant effect in promoting private sector investment in developing nations. Page 4

Rwandan refugees refuse to leave: The last 500 Hutus trapped at Kibeho camp in south-west Rwanda, where thousands were killed at the weekend, rejected government appeals to surrender. President Pasteur Bizimungu went to the camp to try to end the siege peacefully. Rwanda exhumes camp victims, Page 4

Rise in Japanese output: Japan's industrial companies increased output for the first time in four years in the 12 months to March, but the recovery is likely to be shortlived. Page 6

Poland plans limits on newspaper control: Poland is planning a law to limit foreign ownership of newspapers and magazines to no more than 45 per cent. Page 3

Asean allows Vietnam time: Asean members will give Vietnam extra time to comply with the organisation's swift tariff reduction commitments when the country becomes a full member in July. Page 6

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,302.60	(+2.77)
NASDAQ Composite	841.20	(+4.29)
Europe and Far East		
CAC40	1,930.96	(-11.36)
DAX	2,026.06	(-3.45)
FT-SE 100	3,217.6	(-8.6)
Nikkei	16883.98	(+57.50)

■ US LUNCHTIME RATES

Federal Funds	6$\frac{1}{16}$%
3-mth Treas Bills: Yld	5.848%
Long Bond	103$\frac{13}{32}$
Yield	7.32

■ OTHER RATES

UK: 3-mo Interbank	6$\frac{13}{16}$%	(7%)
UK: 10 yr Gilt	100$\frac{31}{32}$	(101)
France: 10 yr OAT	97.93	(98.05)
Germany: 10 yr Bund	102.21	(102.18)
Japan: 10 yr JGB	108.651	(109.081)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jun)	$18.95	(18.65)

■ GOLD

New York Comex		
(June)	$389.9	(388.0)
London:		
close	$387.3	(388.6)

■ DOLLAR

New York: lunchtime		
£	1.6185	
DM	1.3745	
FFr	4.8735	
SFr	1.134	
Y	83.6	
London:		
£	1.6178	(1.6108)
DM	1.3734	(1.3811)
FFr	4.8598	(4.865)
SFr	1.1325	(1.1407)
Y	83.605	(84.125)

■ STERLING

DM	2.2218	(2.2246)
Tokyo close:	Y 83.9	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK35	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Russian gas blast renews fears over industry's safety

By John Thornhill in Moscow

A massive gas explosion in northern Russia, which yesterday sent a column of fire shooting hundreds of feet into the sky and set a forest ablaze, has raised fresh alarm about the country's rapidly decaying industrial infrastructure.

The blast in the Komi republic, 800 miles north-east of Moscow, comes just after the ninth anniversary of the Chernobyl nuclear accident, and follows a series of oil and gas pipeline ruptures.

The environment ministry estimates that 14-16 per cent of the Russian land mass is classified as "environmental disaster zones". Even though many accidents are in remote regions, the ministry estimates that about 40m people live in affected areas.

The intensity of yesterday's blast was so great that it alarmed passengers on a passing Japanese jet. Tokyo currency dealers pushed the US dollar higher in early trading after hearing of the blast, and oil traders said the accident was responsible for prices reaching a nine-month high yesterday. Brent Oil finished 30 cents up at $18.95.

No deaths or injuries were reported, but the blast highlighted the state of Russia's ageing oil and gas infrastructure in the region. Mr Alexander Shuvalov, a spokesman for the Greenpeace environmental organisation, said: "Incidents of this kind happen every week in Russia."

The worst gas explosion in Russia occurred in 1989 when more than 400 people were killed in Siberia in a blast which engulfed a passing train.

But Russia's gas industry was quick to defend its safety record yesterday, claiming almost all its pipelines met the strictest international standards.

Russian officials said yesterday's blast was caused by a leaking gas pipeline and was a "normal explosion" which was "nothing to worry about". Gazprom, the giant gas group which owns the pipeline, said 4m-5m cu m of gas were burned off before fires died out.

Infrastructure problems appear far worse in the oil industry where thousands of leaks are reported every year because of the poor state of repair. According to Greenpeace estimates, about 73 per cent of Russia's oil pipelines were built more than 10 years ago, with 10 per cent more than 35 years old.

Environmentalists claim the number of oil leaks reported in the Komi republic alone rose from 51 in 1986 to 2,470 last year. Russian oil workers are still clearing up the remnants of more than 100,000 tonnes of oil spilled near Usinsk, in Komi, last October – that spill was estimated to be three times larger than the Exxon Valdez disaster which contaminated the Alaskan coast.

The World Bank has lent $99m to help clear up the Komi oil spill, which threatens to spread further damage across Russia's

Continued on Page 14

Comfort amid Bosnia's brutality

A shoulder and the clasp of a comforting arm are provided for 35-year-old Nedzad Ferhatovic during the funeral of his brother, Nihad, 21, killed recently on Sarajevo's front line. While the UN negotiates with Bosnian Serb commanders over control of the airport, the Bosnian capital was the focus for further shelling and sniper fire. Bosnia's nightmare brew, Page 13 Picture: AP

Setback for Microsoft plans to take over Intuit

By Louise Kehoe in San Francisco

The US Justice Department has filed legal suit to block Microsoft, the software group, from going ahead with its planned $1.5bn acquisition of Intuit, the leading supplier of personal finance software, on the grounds that it is anti-competitive.

The decision is a severe setback for Mircosoft, which has grown so large in the software market that it is finding it increasingly difficult to expand without provoking accusations of anti-competitive practices from rivals. The company is already involved in a separate court case over a four-year Justice Department antitrust investigation.

Microsoft, the world's largest software company, announced its intention to acquire Intuit in October for $1.5bn in stock. The acquisition, which would be the biggest in the software industry, is a central element of Microsoft's plans to become a leading provider of online services with the launch this summer of its Microsoft Network.

Ms Anne Bingaman, head of the Justice Department's antitrust division, said: "Allowing Microsoft to buy a dominant position in this highly concentrated market would likely result in higher prices for consumers who want to buy personal finance software and would cause those buyers to miss out on the huge benefits from innovation."

Intuit's product, Quicken, enables users to organise finances and pay bills electronically. To avoid antitrust problems, Microsoft said it would sell its own personal finance software product, Microsoft Money, to Novell, another software vendor, for a nominal fee. This arrangement has not satisfied the Justice Department.

"Novell simply can't replace Microsoft – with its leading position in the personal computer software industry – in competing against an entrenched, dominant

Continued on Page 14

Rise in Japanese output may be shortlived

By William Dawkins in Tokyo

Rising levels of unsold stock and recent appreciation of yen give cause for concern

Japan's industrial output rose for the first time in four years in the 12 months to March, but the recovery is likely to be shortlived.

Industrial production rose 5.1 per cent in March, as companies recovered fast from the Kobe earthquake. That brought the increase for the fiscal year to 3 per cent, close to what the market was expecting, according to the latest survey by the Ministry of International Trade and Industry.

However, the companies surveyed by the ministry expected growth to slow to 1.2 per cent this month and then go into reverse in May, with a forecast decline of 1.1 per cent.

Their experience, the latest in a series of warning signs that the Japanese recovery may be on the point of evaporating, is based on a steady rise in stocks of unsold goods since the start of the year.

"The yen's appreciation since early this year will start having negative effects on the economy as early as this summer, and the possibility of an economic downturn is quite high," said Masaru Takagi, chief economist at Fuji Research Institute.

Mr Masayoshi Takemura, the finance minister, told the International Monetary Fund meeting in Washington on Wednesday that the yen's rapid appreciation against the US dollar had cast a shadow over Japan's recovery.

The dollar, which began the year at 101.45 yen, plunged to to a post-second world war low of 79.75 yen on April 19. It recovered to about 83.50 yesterday.

Miti's report said inventories rose by 1.1 per cent from February to March, the third monthly rise running, bringing the full year 0.5 per cent ahead of the previous 12 months. In the past, rises in unsold stocks have been a prelude to drops in output.

Weak Japanese consumer demand will be the main factor in the initial likely drop in output but the yen's recent sharp rise will start to take its toll on export sales after July, said Miti officials. By then, export contracts signed at the end of last year, before the yen rose to its current heights, will have expired and new contracts will be up for negotiation.

Japanese car exports fell by 5.9 per cent in the year to March, the third annual drop running, led by a 13.4 per cent decline in exports to Europe, the Japan Automobile Manufacturers' Association said yesterday. Within this, however, Japan's car exports to the US rose, by 2.6 per cent, for the first time in eight years.

Separately, the weakness of Japanese consumer demand was underlined yesterday by a 2.1 per cent decline in sales by supermarkets and department stores in March, reported by Miti. Their turnover started to drop at the end of last year after what proved to be a short-lived summer upturn, and big stores' sales have since been on the decline for four months running.

Rhône-Poulenc up sharply in Europe's chemicals recovery

By John Ridding in Paris

Rhône-Poulenc, the French chemicals and pharmaceuticals group, yesterday announced a fourfold increase in net profits to FFr732m ($152.5m) for the first quarter of 1995, and forecast a rise in earnings, although at a less spectacular rate, for the full year.

The performance highlights both the strength of the recovery in the European chemicals industry and the extent to which the users of chemicals are having to cope with higher prices.

Rhône-Poulenc's improvement was in line with results reported by most other European chemical companies which have also benefited from an upturn in demand and prices for industrial chemicals. ICI, the UK group, yesterday reported a 137 per cent increase in first quarter pre-tax profits to £244m after exceptional items.

Mr Jean-Pierre Tirouflet, Rhône-Poulenc's finance director, said the first quarter results reflected the rise in operating income, productivity gains and an increased contribution from associated companies.

He cautioned that the rise was flattered by the impact of recession on results in the first quarter of 1994, but confirmed group forecasts of a "noticeable improvement in net results for 1995". He said a double-digit rise was likely, compared with net profits of FFr1.92bn last year.

According to Mr Tirouflet, the improvement in operating income, which rose by 26 per cent to FFr2.1bn, reflected productivity gains and improved sales across the group's divisions. Turnover increased by 7.5 per cent, to FFr21.6bn.

The rise in sales and operating profits was higher after taking into account changes in the group's structure. Such changes, which included the establishment of a joint venture in vaccines with Merck of Germany, reflect a fundamental restructuring in the French group's operations over the past few years.

The establishment of the joint venture meant that operating profits in the health division declined by 11 per cent to FFr1.09bn. Even on a comparable basis, however, operating income was limited to only a slight increase because of the impact of currency effects. The weaker dollar, for example, reduced income in French franc terms by about

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© THE FINANCIAL TIMES LIMITED 1995 No 32,661 Week No 17 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

US president urges move to permanent ceasefire in telephone call

Clinton warns Yeltsin on Chechnya

By George Graham in Washington and John Thornhill in Moscow

President Bill Clinton warned President Boris Yeltsin yesterday that the three-week ceasefire he has ordered in Chechnya has not allayed his deep concerns about Russia's suppression of resistance in the rebellious region.

In a 30-minute telephone conversation intended to pave the way for their summit in Moscow next month, Mr Clinton told his Russian counterpart that he welcomed the order to stop fighting, but still wanted to see it turned into a permanent ceasefire.

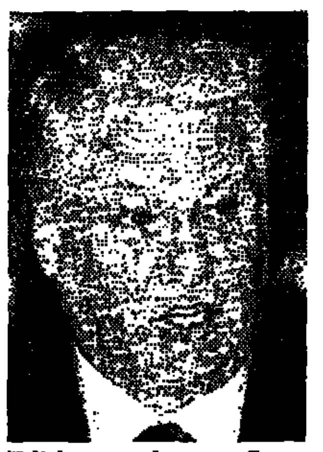
Chechnya is only one of a number of contentious issues on which Russia and the US remain deeply divided. US officials continue to predict "important progress" in their relationship at the May 10-11 summit, but have few hopes of resolving disagreements such as Russia's sale of nuclear reactors to Iran, or its hostility to the expansion of the North Atlantic Treaty Organisation.

Mr Andrei Kozyrev, Russia's foreign minister, met Mr Warren Christopher, his US counterpart, for lengthy talks on Wednesday to prepare for the summit, and briefly visited Mr Clinton at the White House yesterday. But Mr Christopher's suggestion that the summit would allow the US and Russia "to manage our differences constructively" fell short of unbridled optimism.

Mr Yeltsin ordered the unilateral ceasefire to come into effect from 8pm last night but said Russian forces would defend themselves if they came under attack. General Pavel Grachev, defence minister, vowed Russian forces would maintain a state of readiness. "We will answer even one shot with a barrage," he said. Russian leaders have called for ceasefires in Chechnya before but they have been frequently violated.

The order calls for a halt to all military action in Chechnya until May 12 when the foreign leaders visiting Moscow for the forthcoming VE day celebrations, including Mr Clinton, will have departed.

Mr Klaus Kinkel, Germany's foreign minister, yesterday expressed alarm about Russia's


Yeltsin: warned on ceasefire

intentions to break an important arms control treaty by deploying additional forces in the north Caucasus. "The Conventional Forces in Europe Treaty, as a pillar of the European security system, is too important to be jeopardised by unilateral measures," he said.

Earlier this week, General Vladimir Semyonov, head of Russia's ground forces, said he planned to deploy a new army corps in the north Caucasus to help stabilise the region around Chechnya even though this would violate the arms accord. The CFE treaty sets strict limits for the deployment of forces stretching from the Atlantic to the Urals.

Russian army officers, who have condemned Nato's plans to expand eastwards, have previously threatened to break the accord if central European states were admitted to the western defence organisation.

Russian leaders at odds over new party

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, has claimed all government ministers will join the new centrist political movement he is creating to compete in December's parliamentary elections promising a new era of stability in Russia's political life.

But Mr Chernomyrdin's claim was immediately rebuffed by Mr Andrei Kozyrev, the foreign minister who is currently in Washington preparing the ground for next month's US-Russian summit. Mr Kozyrev said he had no intention of joining Mr Chernomyrdin's electoral bloc.

"If I were to participate in the upcoming elections it would only be as an independent candidate," he said. Other ministers have yet to declare their positions.

Mr Chernomyrdin, who had long been viewed as a largely apolitical prime minister unattached to any parliamentary faction, announced on Tuesday that he would form a new electoral bloc to establish "accord and stability" in Russia.

President Boris Yeltsin promptly welcomed the move and suggested another left-of-centre electoral bloc would soon be created by Mr Ivan Rybkin, the parliamentary speaker, enabling a two-party system to evolve in Russia.

Political analysts suggested Mr Yeltsin was trying to encourage the evolution of two

> Deputies already refer to the party of the president's right hand and the party of his left hand

centrist political parties cutting out the extremists both from the communist left and the nationalist right. Recent opinion polls suggest the popularity of Russia's communist and nationalist parties strongly outweighs the support for the shifting coalitions of factions which crowd the political mainstream.

Mr Rybkin forecast two powerful centrist blocs could help nullify the extremist threat and win two-thirds of the votes in parliamentary elections introducing an element of stability to Russia's volatile politics.

But Mr Yeltsin's political opponents pointed out the absurdity of trying to create parties from the top down rather than the bottom up. Parliamentary deputies are already referring to the two blocs as the party of the president's right hand and the party of his left hand.

The liberal Izvestiya newspaper commented: "On the face of it, the new blocs should be rivals but in fact they are two branches of the same party, the party of power."

Mr Grigory Yavlinsky, the radical economist who heads the liberal Yabloko faction, also expressed scathing criticism, describing the situation as like "a puppet theatre for which bad scriptwriters prepared a new scenario, believing they may create right and left-wingers in a society at will and appoint leaders for them".

Brittan supports overhaul of EU-US relations

By Lionel Barber in Brussels

Sir Leon Brittan, EU trade commissioner, yesterday joined a growing, if diffuse chorus in Europe in favour of overhauling ties with the US, possibly through a new trans-atlantic treaty.

In a speech in Brussels, Sir Leon warned that there was a risk of a vacuum developing between the European Union and the US in the wake of the end of the Cold War. Though the relationship was fundamentally sound, it was time to look for new ways of strengthening political and economic ties.

"We are not going to stay together out of nostalgia," said Sir Leon, repeating the words of Mr Newt Gingrich, the Republican speaker of the House of Representatives.

In his address to the American Club in Brussels, Sir Leon said he had an open mind about the possibility of a free trade area, but it was important not to be carried away by seductive but impractical ideas.

A classic free trade area required dismantling all tariffs and would have to be compatible with the rules of the new World Trade Organisation. But this would be difficult for both sides, particularly in agriculture and textiles.

"I do not see the EU agreeing to eliminate all tariffs on its agriculture trade with the US for the sake of a free trade agreement," he said.

A second problem was whether to consider an EU-US trade area, or the more attractive EU-Nafta free trade zone. The drawback was negotiating with Canada and Mexico as well as the US.

Sir Leon appeared to lean in favour of scrapping technical

> A classic free trade area would be difficult, particularly in agriculture and textiles

barriers to the near $400bn (£248bn) annual bilateral trade flow, such as mutual recognition of standards and increased co-operation on competition policy in a new "transatlantic economic space".

Turning to security, Sir Leon acknowledged US frustration over Europe's delay in forging a genuine common foreign and security policy, and the scars created by divisions over policy toward Bosnia.

It was "intensely desirable" to create a European pillar inside the Nato alliance which in certain cases could act outside Nato, he said. But such a move depended on a successful conclusion to next year's intergovernmental conference to review the Maastricht treaty.

Sir Leon made no reference to the collapse of the dollar, and avoided floating ideas for closer monetary co-operation – though complaints in the German business community suggest this is the most important source of strain between the US and Europe.

Instead, he called for both sides to focus on tasks such as the need to tackle environmental degradation, international crime, and terrorism. A new forum in which representatives of the US Congress, EU national parliaments and the European parliament could meet would bolster efforts to build a common agenda.

Unemployment in France shows another decrease

By John Ridding in Paris

French unemployment fell in March for the sixth month in succession, declining by almost 10,000 to 3.29m and keeping the government on course to reduce the number of jobless by 200,000 this year, Mr Michel Giraud, labour minister, said yesterday.

However, the labour market figures coincided with the release of figures showing a marked decline in consumer spending in March. The figures reflected continued caution on the part of French consumers and remain a weak point in the broader economic recovery.

The official unemployment figures were not due to be released until this morning, but it has become common practice, particularly in the run-up to the presidential election, for the statistics to be leaked.

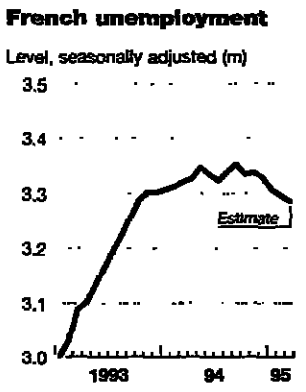
France's unemployment rate, at 12.3 per cent the highest among the G7 group of industrialised nations, has been one of the main issues in the contest to succeed President François Mitterrand.

Both Mr Jacques Chirac, the Gaullist mayor of Paris and Mr Lionel Jospin, his Socialist rival in the election run-off on May 7 have criticised the government's record on reducing unemployment.

They have pledged stronger action to reduce joblessness, with Mr Chirac favouring cuts in hiring costs for businesses and subsidies for companies hiring the long-term unemployed, while Mr Jospin is also pushing for a reduction in the working week from 39 to 37 hours.

Mr Giraud, a supporter of Mr Edouard Balladur, the Gaullist prime minister who was

French unemployment



Source: Datastream

defeated in the first round of the presidential contest, sought to defend the government's record. "We have cut unemployment by about 60,000 in the past six months, an achievement which has not been managed for 20 years," he said.

However, Mr Giraud, who is now backing Mr Chirac in the presidential race, accepted that frustrations about the level of joblessness were of concern. "People are impatient," he said, accepting the possibility of "an agitated autumn".

The 1.1 per cent fall in consumer spending on manufactured goods last month was seen by economists as disappointing, particularly given concerns that the strength of the franc might limit French exports. The French currency has risen against most others, with the exception of the D-Mark, in the currency turmoil of recent months.

"These consumption figures are weaker than we expected and show that the French individual is still very cautious about spending," said an economist at one Paris merchant bank.

Holidaying PM to return for Paris rally

Balladur acts to show solidarity with Chirac

By David Buchan and John Ridding in Paris

Mr Edouard Balludur, France's Gaullist prime minister, yesterday moved to resolve a disagreement with Mr Jacques Chirac, his erstwhile rival in the contest for the French presidency, announcing he would attend a rally in the French capital tomorrow, to support the Paris mayor's bid for the Elysée Palace.

Mr Balladur's decision sets the stage for a demonstration of unity on the French political right as it seeks to recapture the presidency after the 14-year tenure of President François Mitterrand.

Mr Lionel Jospin, the Socialist candidate, had sought to exploit the departure of Mr Balladur for a brief holiday in the Alps as evidence of the difficulty of conservatives closing ranks behind the surviving Gaullist standard-bearer. "What strikes me is that the government no longer exists," Mr Jospin said yesterday. "Balladur is on holiday and we don't know where the ministers are,"

Most ministers were taking position around Mr Chirac, with one of the most die-hard Balladur supporters, Mr Francois Léotard, defence minister, announcing he would attend the Chirac rally.

A possible mid-week meeting between Mr Chirac and Mr Balladur foundered on the latter's insistence on bringing key political backers along with him to underline that, with his 18.5 per cent score in the first round vote, he was still a political force to reckon with.

No sooner had Mr Balladur flown off to his Chamonix holiday home than most of his ministers were off to the Chi-


Chirac (left) has found support in the contest with Jospin (right)

rac campaign headquarters for a strategy session chaired by Mr Alain Juppé, foreign minister, who is behaving increasingly like Mr Chirac's choice as prime minister if the mayor of Paris wins the May 7 run-off.

Mr Balladur yesterday repeated his desire to see his supporters join forces with Mr Chirac, to beat Mr Jospin in the second round. Mr Chirac insisted yesterday he was not changing his policies to win over supporters of Mr Balladur, let alone those of Mr Jean-Marie Le Pen, leader of the far-right National Front.

But in practice he seemed this week to be stressing policies in favour of Europe and a crackdown on crime that appeal to these two very different camps.

Mr Jospin yesterday attacked Mr Chirac's alleged opportunism. Referring to his television debate next Tuesday with Mr Chirac, Mr Jospin said viewers might be made no wiser about the Gaullist candidate's real standpoint.

"Even if we knew it on that night, we would not know if it would remain true the following day", Mr Jospin said. He dismissed opinion polls showing him trailing Mr Chirac in the final vote. He told RMC Radio he was sure he could be elected to succeed President Mitterrand.

A Sofres opinion poll on Monday, and published on Wednesday, showed the mayor of Paris with 55 per cent of voting intentions against 45 per cent for Mr Jospin. The margin has narrowed compared with surveys before Sunday, while the failure of opinion polls to predict Mr Jospin's victory has increased uncertainty on the outcome.

EUROPEAN NEWS DIGEST

US initials more aviation accords

The US yesterday initialled air transport agreements with Denmark, Sweden and Norway, following accords with Austria, Finland, Luxembourg, Belgium and non-EU members Switzerland and Iceland. The latest agreements came a day after Mr Neil Kinnock, EU transport commissioner, won Commission backing for plans to give Brussels a wide mandate to negotiate civil aviation accords with the US.

Mr Kinnock, who asked EU member states to halt negotiations with the US, believes a better agreement can be achieved by the EU negotiating as one body. A commission official said he hoped member states would be convinced the Commission mandate was a better way forward and would produce a better result.

US transport department officials said the agreements would end restrictions on bilateral air travel and allow airlines of each side to operate air services from any point in one country to any point in the other, as well as to and from third countries.No date had been set for the formal signing of the agreements or their implementation.

Mr Kinnock's proposal still has to win the approval of member states, some of whom, particularly Britain, are against ceding negotiating powers to Brussels. The Commissioner has threatened to take member states to court if they implement deals which break single market regulations. The Commission could begin legal proceedings against some member states as early as next month. *Caroline Southey, Brussels*

Turkish MPs retaliate

Turkish MPs said yesterday they would break off relations with the Council of Europe in protest at a threat by its assembly on Wednesday to suspend Turkey because of its incursion against separatist Kurdish guerrillas in northern Iraq. Kemal Mimaroglu, of the ruling True Path Party, said Turkey's parliamentary delegation "will no longer take part in any activities and refuse all co-operation."

The Council's 34 member states passed a resolution calling on its governing committee of ministers to suspend Turkey unless it showed progress towards withdrawing from Iraq before the EU summit on June 26. It also demanded a peaceful solution to the Kurdish problem and reform of Turkey's authoritarian constitution and security laws.

The European Parliament has already warned that ratification of a crucial EU-Turkey customs union this autumn will depend on political reforms and respect for human rights. The Turkish army has already withdrawn two-thirds of the 35,000 troops sent to Iraq in March and the remainder are to pull back by the end of May. *John Barham, Istanbul*

Slovaks expect currency reform

Slovakia's export-led growth and a strong build-up of foreign currency reserves have removed the need for the special clearing account set up for trade with the Czech republic and opened the way for full current account convertibility of the Slovak koruna, Mr Vladimir Meciar, the Slovak prime minister said yesterday. "We will be prepared for full current account convertibility before the end of the year. But the timing will be linked to a similar decision by Prague to make the Czech koruna externally convertible," he added.

At present, both currencies are internally convertible into foreign currencies, but neither are freely traded abroad. Since February 1993, Slovak trade with the Czech republic, its main market, has taken place within the framework of an Ecu-denominated clearing agreement. The aim was to prevent bilateral trade suffering from a shortage of hard currency. A 10 per cent devaluation of the Slovak koruna in July 1993 boosted Slovak exports but led to complaints from Czech traders. Over the last year, however, both Prague and Bratislava have seen a strong inflow of hard currency reserves and rising exports. *Anthony Robinson, Bratislava*

Telecom reforms 'dressed up'

A senior German telecommunications executive yesterday hinted that plans for the liberalisation of the German telecoms market may have been dressed up so as to make it easier for Deutsche Telekom, the state-owned monopoly, to get access to the lucrative US market. "What we have seen so far sounds very nice," said Mr Peter Mihatsch, a board member of the Mannesmann engineering group, which has become one of Germany's biggest private telecom operators. "I hope it was not just done to make it easier for Deutsche Telekom to get into France and the US." Deutsche Telekom is hoping to seal a strategic alliance with Sprint, the US long distance carrier, and get approval from the European Commission for its link-up with France Télécom, the French carrier. However, critics of the government's telecoms policy allege that liberalisation is being held up in Germany so that Deutsche Telekom can feather its nest and secure the highest possible price when it lists its first shares next year. *Michael Lindemann, Bonn*

Danes cut repo and CD rates

Denmark's central bank yesterday cut its two-week repo and certificate of deposit (CD) rates by 0.25 of a percentage point to 6.50 per cent in reaction to a strengthening of the krone. "We have cut the repo and CD rates because the currency situation permits it. This brings us back to the normal 0.50 point gap between these rates and discount and key deposit rates," the central bank said. On April 6, the central bank cut the rates 0.25 of a percentage point to 6.75 per cent also due to a strong Danish krone. Denmark raised interest rates originally to defend the krone, lifting discount and key deposit rates one percentage point to 6 per cent on March 8 and the CD and repo rates both by 1.50 points to 7 per cent the following day. At that point the krone had weakened to 4.08 against the D-Mark. *Reuter, Copenhagen*

ECONOMIC WATCH

EU inflation edges to 3.3%

EU

Source: Datastream

Inflation in the European Union edged up to 3.3 per cent a year in March from a revised 3.2 per cent in the same month last year, the European Commission's statistics office said yesterday. Eurostat said the increase reflected rising inflation in Italy, Portugal and Spain since the start of this year, but noted that since July 1992 the rate had remained fairly stable within the 3 to 4 per cent range. Belgium and Finland had the lowest annual rates in March at 1.7 per cent, followed by France with 1.8 per cent, and Germany, the Netherlands and Luxembourg with 2.3 per cent. Austrian inflation was 2.4 per cent, with Denmark and Ireland (February) on 2.5 per cent and Sweden with 3 per cent. The UK had inflation of 3.5 per cent, followed by Portugal with 4.5 per cent, Italy with a provisional 4.8 per cent, Spain 5.1 and Greece with 10.3 per cent. *Reuter, Brussels*

■ Western Germany's consumer price index rose a preliminary 0.2 per cent in the month to mid-April and was up 2.3 per cent from a year earlier. That compares with March's final CPI increase of 0.1 per cent on the month and 2.3 per cent on the year.

■ The Belgian government said year-to-year inflation was a preliminary 1.71 per cent in April, compared to 1.74 per cent in March.

■ Norway's unemployment rate in April fell to 4.6 per cent of the workforce compared with 4.9 per cent the month before.

Extent of foreign holdings worries government supporters and local journalists

Poland may limit newspaper ownership

By Christopher Bobinski in Warsaw

Poland is planning a law to limit foreign ownership of newspapers and magazines to no more than 45 per cent.

Work on preparing a draft press law by the culture ministry comes as government supporters in parliament have voiced concern over the extent of foreign ownership in newspapers and magazines.

According to the government, foreign owners hold an average 56 per cent of the equity in national and provincial newspapers and 70 per cent of the country's print run is published by companies with foreign shareholders.

This week, too, in the first revolt of its kind, staff at Zycie Gospodarcze, Poland's oldest economic weekly, now owned by Jean Frey, a Swiss publisher, decided to walk out and continue to publish their paper independently after pressure from their foreign owners for a change in editor and format.

At present foreign ownership in broadcasting is limited to 33 per cent but newspapers have been free of such restrictions. Currently only Canal Plus, the French television station, has won a broadcast licence and is the only big foreign investor in television. But in newspapers, Neue Passauer Presse, a Bavarian publisher, controls many provincial newspapers while Hersant of France owns 49 per cent of Rzeczpospolita, a prominent daily. Orkla of Norway is a big player in provincial newspapers.

At the same time German publishers such as Gruner und Jahr, controlled by Bertelsmann and Axel Springer, have expanded into low-cost, general interest illustrated magazines and weeklies for women and teenagers. These threaten to sweep more traditional, solemn locally owned titles from the market.

Mr Karol Szwarc, the former editor of Zycie Gospodarcze who is leading the revolt at the paper, stresses that he is not against foreign capital. "But there has to be one paper at least like ours which will retain its tradition of the past struggle for economic reforms, and which will continue to develop Polish thinking about economics," he says.

As a result most of the staff at ZG are planning to bring out their paper next month with backing from two listed companies, Elektrim and Stalexport.

Meanwhile, even though the culture ministry's proposed law is still only a draft, it appears likely that pressure will build for some kind of regulation of foreign ownership of the print media in line with the limits already in place in radio and television.

Ruling coalition wins parliamentary vote on higher taxes

Poland's centre-left ruling coalition yesterday won the two-thirds vote in parliament needed to overturn a constitutional tribunal ruling that the government's 21, 33 and 45 per cent income tax rates for this year were illegal, writes Christopher Bobinski. Had the vote been lost income tax rates would have returned to the previous 20, 30 and 40 per cent levels and cost the government an estimated 1.8bn zlotys ($764m). The vote avoids the need for spending cuts to keep this year's budget deficit at 8.7bn zlotys in accordance with Poland's IMF standby agreement. The court argued that delays in introducing the new rates contravened the principle of leaving taxes unchanged in the budget year.

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Berlusconi's retreat frees pensions talks

By Robert Graham in Rome

Mr Silvio Berlusconi, the former prime minister and leader of Italy's right-wing alliance, yesterday reluctantly withdrew his insistent demand for a June general election.

In backtracking, Mr Berlusconi has given the Dini government and the Italian parliament time to tackle the vital issue of pension reform in earnest. Both the unions, which are negotiating directly with the government on pensions, and the centre-left parties have made it clear that a deal was impossible against the threat of a June general election.

An early return to the polls has been an obsession with Mr Berlusconi since he was forced from office last December. At first he demanded that President Oscar Luigi Scalfaro dissolve parliament to allow a poll in March. The president refused and asked Mr Lamberto Dini, the former director general of the Bank of Italy and treasury minister, to form a new government. Mr Berlusconi then began pressing for a June election in the belief that the longer he was out of office the more his image suffered.

Mr Berlusconi was forced to concede defeat yesterday in the wake of Sunday's regional and local elections which sharply rebuffed his right-wing alliance. He had hoped a good result for his alliance would endorse his call for a June poll.

Close allies of the former premier, including Mr Gianfranco Fini, leader of the rightwing National Alliance, had also pointed out the impracticality of another vote before the summer. At the same time moderates in the Berlusconi camp warned of the negative image of being seen to sabotage pension reform.

Talks between the government, union leaders and members of Confindustria, the employers confederation, on reforming Italy's costly state-run pay-as-you-go pensions system began last night. The unions and government have already held a series of technical meetings. Both sides reported a will to reach agreement but neither concealed that wide differences remain. The government has projected into the macro-economic guidelines for the next three years savings of L15,000bn ($8.7bn) on pension outlays. The union proposals would provide less than half of this.

One of the main stumbling blocks will be the retirement age, given that 1.5m people who started work around the age of 15 are close to having worked for 35 years, yet are still barely 50 years old. The unions are against the government's proposal to impose a minimum retirement age of 55 unless the equivalent of 35 years contributions have been paid. Another area of disagreement is the government's move to reduce – in the medium term – the percentage at which pensions accrue annually from an exceptionally high 2 per cent to 1.4 per cent.

Last autumn when Mr Dini was treasury minister he was regarded as the toughest member of the cabinet insisting on major savings through a big shake-up of the system. This provoked a wave of protest and a general strike. But now he has to balance the need for reform and the demands of the unions, backed by the centre-left parties who keep his government alive in parliament.

Weakness of lira starts to tell on inflation rate

By Robert Graham in Rome

The rising cost of raw materials, exacerbated by a weak lira, is beginning to be felt by Italian consumers.

This week Fiat, which has almost 45 per cent of the car market, raised its prices by 3 per cent, only three months after another 3 per cent increase. Peugeot has raised its prices 3 per cent, and Volvo 5 per cent.

Separately, the industry ministry this week announced that electricity tariffs would go up 2 per cent to offset the cost of importing energy. Gas and oil for power stations are paid for in dollars and the lira has devalued almost 10 per cent since the autumn.

Manufacturers admit that since last summer they have begun to pass on the combined effects of a weak lira and rising raw material costs. However, until the rapid depreciation of the lira this January, they sought to act with restraint.

Such restraint is now increasingly difficult to maintain. According to the most recent monthly survey of managers carried out by Isco, the research institute, the percentage of those anticipating further increases in producer prices was much higher than usual. The survey was conducted in February and since then the lira has depreciated further against the dollar and other major currencies.

The latest figures, for February, show producer price increases running at 6.3 per cent a year. This was a considerable increase on the previous month's 5.6 per cent and the highest level since 1989. Istat, the national statistics institute, points out that if the more volatile elements of energy products and foodstuffs are removed then producer price rises in February were running at 7.3 per cent.

Confindustria, the industrialist confederation, concedes the overall inflationary picture has deteriorated and people are beginning to operate on the basis of inflationary expectations. Estimates for April show inflation at about 5.2 per cent, against a government target of 2.5 to 4.2 per cent.

Finnish software pirates jailed

By Alan Cane

The chairman and managing director of J J Piirto, a medium-sized Finnish engineering company based in Helsinki, have become the first computer users in Europe to be imprisoned for software piracy.

Mr Jyrki Liivola, chairman, and Mr Jyrki Furuholm, managing director, were each jailed for 60 days and fined $72,000. Seven illegal copies of AutoCAD, one of the most popular computer-aided design packages, were discovered in use at their company.

The severity of the sentence represents a further victory for the Business Software Alliance, which brought the action against the Finnish executives. BSA is an organisation of principally US-owned computer companies which has been carrying out a vigorous campaign against software piracy worldwide. It says its members' global losses from piracy amounted to $15.2bn last year. It has already been responsible for several court actions in which software distributors have been fined or imprisoned but the Finnish jailing is the most serious result of an action against computer users.

Mr Robin Burton, BSA's director of European public affairs, said the organisation, which estimates that computer piracy in Europe cost its members $6bn last year, had been encouraged by an increasingly severe attitude towards piracy on the part of European police forces and judges.

Mr Liivola and Mr Furuholm were given stiff sentences because, as officers of a design group which uses software as a basic tool, they had knowingly used illegal software, Mr Burton said after the court hearing.

BSA's most recent analysis of software piracy in Europe indicates that more than one piece of software in every two used has been illegally copied.

The BSA has been fighting to raise awareness among computer users and dealers worldwide that software illegally copied and passed to colleagues within a company is theft.

"What commercial organisations would put up with rates of theft in excess of 40 per cent," Mr Burton said.

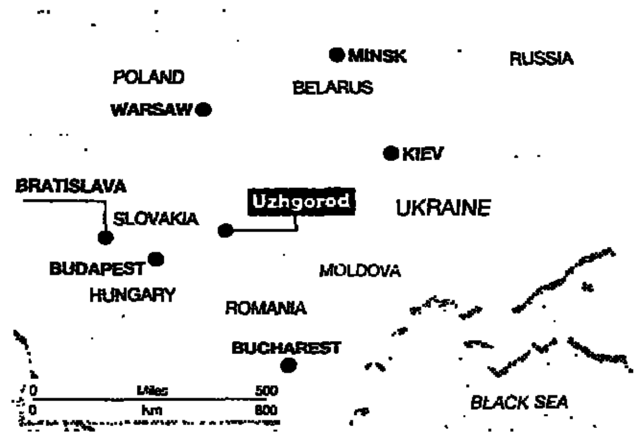
THE SOFTWARE PIRATES LEAGUE*

	Piracy rate %**	Loss to makers $m***
Turkey	97	158.7
Russian Fed.	94	540.6
Poland	91	201.0
Hungary	85	101.5
Czech Rep.	83	107.6
Greece	80	79.2
Italy	58	404.4
France	57	771.5
Germany	50	1,874.7
UK	43	543.5

*Selected European countries, 1994 **Per cent of country's total software in use which has been illegally copied ***Loss to manufacturers selling in Europe
Source: Business Software Alliance

Ukraine's neglected gateway to west

Matthew Kaminski visits a once thriving trade crossroads where four countries meet



Cradled by the Carpathian mountains, Uzhgorod sits on four European borders. The south-west Ukrainian town for centuries was a crossroads for armies and traders. Today sleepy Uzhgorod, like Ukraine, is a world away.

The Soviet Union's collapse broke trade and political contacts with western Comecon neighbours. As Warsaw, Bratislava and Budapest have sought integration with the European Union, they have neglected links with Ukraine, which is struggling to overcome a lingering economic depression.

Yet whether Ukraine will strengthen its recently gained independence, or revert to being dominated by Russia, as many fear, depends greatly on the country's ability to tap new markets and diversify economically.

Uzhgorod's businesses and new political élite, on a western fringe that ought to be booming, paint a grim picture. Instead of being a gateway to prosperity, the town reflects the lingering problems in the country at large that hinder trade and foreign investment and make Ukraine's place in the future central Europe uncertain.

Topped by a medieval castle, the handsome town starkly lacks the commercial veneer of even eastern Slovakia, over the border. About half the stores have been privatised, but their look and attitude has yet to change. And while neighbours usually trade, Uzhgorod sees little traffic through its two messy border points, of which there are only six in western Ukraine.

By contrast, Ukraine's Russian-speaking eastern half has successfully tried to rebuild trade and political links to Russia. The six eastern border regions earlier this year signed an agreement to simplify crossings at more than 1,000 check points and eventually form a customs union with six neighbouring regions in Russia.

Some western neighbours are slowly recognising Ukraine's strategic and economic importance. Mr Vladimir Meciar, the Slovak prime minister, is planning his first visit to Kiev this spring. "We should have been more pragmatic about consolidating our position in Ukraine earlier," says a Slovak official, noting trade fell from $350m in 1992 to $250m last year.

President Leonid Kuchma also made a Ukrainian leader's first official trip to a central European capital when he visited Prague this week.

In Uzhgorod, foreign and domestic investors are trying to anticipate a future revival. Half the Slovak and Hungarian joint-ventures are based, if only on paper, in the Transcarpathian region that overall accounts for 1.2 per cent of gross domestic product but attracts almost 9 per cent of foreign investment – a large slice of a tiny pie of $366.4m cumulative through 1994.

Lantip, a small Slovak-Ukrainian company, survives by improvising. It makes roof tiles, imports citrus and clothes and markets Italian bathroom floor marble to turn over 10bn karbovanets (about $6,700) a year.

Getting a shipment of bananas from Bratislava to their tinsel stands in staid Uzhgorod shops takes careful planning. Avoiding barter deals favoured by most Ukrainian traders, Lantip uses the primitive payments clearing system: dollars are ordered in Kiev, eventually sent to Slovakia, and changed into Slovak krona.

"An operation that should take an hour usually takes a month," says Mrs Larisa Pravduk, who runs the company with her husband, Valentyn. "We can go bankrupt if inflation suddenly doubles prices while we wait for our money to clear."

Since lorries can wait days at the border, Lantip uses two compact cars to transport between 3 and 6 tonnes of citrus a day, which is double-taxed because Ukraine and Slovakia have no standard trade treaty.

Four years ago the Swedish furniture giant Ikea started to buy chairs and tables from forest-rich Transcarpathia. Of all its east European operations, Ukraine has been the worst.

"The situation has gotten so bad that today the director at the factory has nothing: no capital, no workers, no energy, no markets. What can he do?" says Mr Herbert Finck, managing director of Ikea's East Central Europe division.

But with wages a tenth those in Slovakia and good quality products, Ikea plans to stay. The purchasing office was closed recently and Ikea instead invested more than $10m to upgrade their suppliers – the first time it has done so in 30 years in the eastern bloc.

"It's not our philosophy to own production units, but it makes no sense to co-operate with dead ducks," says Mr Finck. "We changed the way we do business. We're not leaving, but adapting to the circumstances."

While support among local political leaders for reform varies widely in Ukraine, Uzhgorod's two political leaders are frustrated with Kiev's refusal to give them greater latitude to try a radical overhaul in Transcarpathia.

Mr Sergei Ratushyak, the 33-year-old mayor, seeks to awaken entrepreneurial spirit in his quiet home town.

"Privatise it all," Mr Ratushyak says about the city's larger state companies. "We need the revenues. Money is power. And this city is bankrupt."

He specifically wants lower import duties and taxes, better roads, improved canalisation, and liberal rules on company registration.

Kiev must quickly implement its ambitious reforms across the country, says Mr Serhiy Ustich, governor of Transcarpathia. If not, Ukraine's faltering economy will keep Uzhgorod an isolated border town, breaking with its rich commercial tradition.

INTERNATIONAL NEWS DIGEST

World drug sales growing

World drugs sales will grow more than one third faster than the expansion of OECD countries according to a report published by Euromonitor, a market research organisation.

Sales will reach $330bn (£204bn) by 2000, in constant currency terms, compared with $259bn in 1994, representing an average annual growth rate of 4.1 per cent. The latest OECD figures forecast average annual GDP growth over the same period to be 3 per cent or less. Sales of non-prescription medicines, sold over-the-counter (OTC), will grow faster than for prescription medicines, says the report. Sales will rise 4.7 per cent a year from $37bn to $49bn by 2000. This is partly the result of government efforts to encourage more OTC sales, in which the consumer pays directly for the drugs rather than through taxes or insurance premiums.

The Japanese spent the most of any nation per capita on drugs last year, says the report. Japan spent $477 a head on medicines, followed by France ($322), the US ($303), Germany ($256), Canada ($205), Italy ($210) and the UK ($138). *Daniel Green; Euromonitor +44 171 251 8024*

Mandela cuts jail sentences

President Nelson Mandela reduced the sentences of thousands of prisoners yesterday as South Africans celebrated Freedom Day to mark last year's historic elections that ended white minority rule. Mr Mandela said he would remit prison terms for anyone convicted of politically-related possession of arms, ammunition or explosives before December 6 1993. It was not clear whether the reduction would be partial or total. In addition, all prisoners except child abusers would see their sentences reduced 25 per cent, or a maximum of six months. *AP, Pretoria*

Rwanda exhumes camp victims

In an attempt to regain international credibility, Rwanda's government yesterday began exhuming the victims killed at the Kibeho refugee camp and promised an inquiry to see if its soldiers were at fault. "We're going to dig them up – all of them," President Pasteur Bizimungu said at the camp, where the UN estimates at least 2,000 people died on Saturday.

The government insists only about 300 died. There was speculation that it might dig up only a limited number of bodies, but officials insisted they would open all graves identified by their own soldiers, aid workers and UN observers who were at the camp at the time of the slaughter.

The ambassadors and special representatives from the US, Britain, Germany, China, Russia and the UN were among those attending the exhumation. Mr Bizimungu called on foreign nations to contribute money to the international inquiry, which he said would begin on May 3. *AP, Kibeho*

Lebanon lays dead to rest

Lebanon's parliament has passed a law permitting thousands of Lebanese who disappeared during the 1975-1990 civil war to be declared dead. The law, whose approval by the prime minister and president is deemed a formality, would allow families and relatives to inherit property of the missing and spouses to remarry.

Some 17,000 people disappeared during the war, most after being kidnapped by militias of religious sects, according to a committee formed by relatives of disappeared people. Most of the disappeared are presumed to have been murdered. Under previous legislation families were unable to declare the missing dead for up to 90 years and could not inherit or sell their property. Spouses could not remarry. *Reuter, Beirut*

Call for big increase in private sector financing of infrastructure projects

More development flexibility urged

By Peter Norman in Washington

The World Bank and regional development banks were told yesterday they must be "more flexible and creative" if they are to have a significant effect in promoting private-sector infrastructure investment in developing nations.

In a report commissioned by the Development Committee of the World Bank and International Monetary Fund, the private-sector Institute of International Finance said the multilateral development banks were financing infrastructure projects that should be financed by the private sector. The multilateral agencies should be "financiers of last resort", the institute said.

The World Bank says only 7 per cent of infrastructure investment in developing countries is from private sources, and 12 per cent from bilateral and multilateral aid agencies. The IIF, a think tank owned by international banks and other financial institutions, said private financing would have to grow substantially to meet projected demand for infrastructure investment.

This theme was taken up by ministers yesterday when the development committee had an extended discussion on infrastructure finance.

Mr Kenneth Clarke, the UK chancellor, said there was "enormous potential" for the private sector to provide more infrastructure finance. He said developing countries could learn from the British government's private-sector initiative under which the public sector defines its requirements and asks the private sector to compete to provide services.

"The private sector offers cost savings and greater effectiveness not only through the provision of capital, but also through its ability to innovate, to manage and bear risks," the chancellor said.

In its paper to the committee, the IIF pinpointed various ways in which the multilateral development banks could help catalyse private sector infrastructure investment.

To promote mixed public and private projects, it said a way should be found for the World Bank to lend to the private sector without a host country guarantee. It said the bank's soft loan affiliate – the International Development Association – could lend to private borrowers without a guarantee, but was not doing so.

The IIF said the International Finance Corp, the World Bank group member that makes equity investments in developing countries, should give a greater priority to infrastructure projects and invest more in "riskier countries".

See feature, Editorial pages

IADB LOAN FOR HONDURAS POWER PLANT

The Inter-American Development Bank this week took its first step towards lending directly to the private sector by approving a $10.5m (£6.4m) loan to help build a privately owned electricity plant in Honduras, George Graham writes from Washington.

The IADB has set a new policy of lending up to 5 per cent of its portfolio directly to the private sector, without a government guarantee. This week's loan to finance an 80MW power generating plant in Puerto Cortés is the first made under the new policy.

Private-sector development has posed a problem for the multilateral development banks, including the World Bank. In the past two decades, unleashing private enterprise has come to be seen as the secret of successful development policies, but many of the banks are required by their statutes to lend only to government-backed projects.

The Honduras plant will be the first privately owned generator to connect to the national electricity grid, and will increase the country's generation capacity by around 15 per cent.

Israel land expropriation plan comes under fire

Palestinian leaders and left-wing ministers in Mr Yitzhak Rabin's government yesterday condemned an Israeli plan to expropriate 133 acres of land in Arab East Jerusalem for Jewish housing and a new police headquarters, Eric Silver writes from Jerusalem.

The development, initiated by Mr Binyamin Ben-Eliezer, the minister for housing, is the first large-scale seizure of Arab land in the disputed holy city since 1980. Most of the two areas involved are rocky and uncultivated.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, accused Israel of violating their 1993 peace agreement.

● Right: Israelis stand by their cars during a two-minute silence marking Holocaust Day yesterday. Picture: Reuter

Spanish must stop fishing off Morocco

By David White in Madrid and Roula Khalaf in Rabat

Thousands of Spanish and Portuguese fishermen expect to halt their activities from Sunday night as a result of the delay in negotiating a new licensing agreement between the EU and Morocco. The expiry of the 1992 accord affects over 600 Spanish and 40 Portuguese vessels which depend on rich fishing grounds off Morocco and the former Spanish territory of Western Sahara.

The Spanish cabinet, at its weekly meeting today, is expected to approve a short-term aid package for the fishermen totalling about Pta2bn (£10m), including EU support. Part of the fleet is already idle because of "biological rest" periods imposed under the current agreement in the interests of stock conservation.

Earlier this week Mrs Emma Bonino, the EU fisheries commissioner, warned it was likely to take several weeks before a new agreement could be drawn up. A third round of negotiations began on Wednesday.

Mr Luis Atienza, Spanish agriculture and fisheries minister, has described Morocco's demands as "clearly out of proportion and unacceptable". These demands include catch reductions of up to 65 per cent according to species, higher fees, the landing of catches in Moroccan ports, and a stipulation that 35 per cent of the crew of EU vessels should be Moroccan.

Some 40,000-50,000 jobs in Spain, mainly in Andalucia and the Canary Islands, are estimated to depend on the Moroccan deal.

The issue is potentially more explosive than the recent EU row with Canada over Spanish fishing activity. Unlike the large freezer trawlers involved in the Canadian dispute, some of which are likely to find alternative activities in the Barents Sea, the Gulf of Guinea or off Argentina, few of the boats operating in Moroccan waters are suitable for operating further afield.

Mr Felipe González, prime minister, defended the recent EU-Canada settlement against opposition charges that it constituted "a huge defeat" for the government. The deal reached on the share-out of quotas was "of course not the best for us but the least bad we could get", he said.

The Moroccan fishery accounts for much more of the industry in Spain, with annual catches of some 185,000 tonnes, principally sardines, octopus and hake.

The current agreement with the EU provides for 750 EU fishing boats, more than 90 per cent of which are Spanish, to fish in Moroccan waters in return for a payment of Ecu102m (£80.3m) a year, as well as an Ecu15m in licence fees paid by shipowners. Morocco is asking for an effective 50 per cent cut in the fishing rights granted to EU boats as well as requiring boats to unload in Moroccan ports.

For Morocco, the dispute is about a lot more than fishing. Long frustrated in its relations with the EU, its main trading partner, Morocco has sought to use the row as leverage in its efforts to seek a more equitable relationship with Europe, as the latter attempts to forge closer co-operation with southern Mediterranean countries.

The EU's new focus on the southern Mediterranean is prompted by a desire to maintain stability in the region and help shield it from the perceived problems of Islamism. This, the EU hopes, can be achieved through increased aid and the sealing of partnership agreements gradually creating free trade zones.

From the Moroccan perspective, the problem is one of conflicting expectations. Moroccans say the EU is pursuing a short-term approach while Morocco is seeking a strategic and long-term vision which anchors Morocco within the EU economic and political sphere.

Sell oil to Japan in yen, Iran suggests

By Robert Corzine

Iran has suggested that oil sales to Japan be denominated in yen as a way of overcoming the recent decline in the value of the US dollar, according to Japanese oil companies.

The Iranian proposal set off a brief flurry of dollar selling in foreign exchange markets yesterday, but it is unlikely to gain much support among Japanese oil companies.

An official at Nippon Oil said: "There is too much trouble if only Iranian-Japanese deals are done in yen. It [yen-denomination] does not solve any problem because both sides would remain exposed to currency risks once a certain rate was set."

The Iranian proposal is the latest variation in a series of ideas put forward by some oil-producing countries, such as Libya, to drop the near-universal use of the US currency in calculating oil sales. Most of the recent proposals have called for oil prices to be based on a basket of currencies.

The main complaint is that recent oil price rises have been offset to a degree by the dollar's decline. The benchmark Brent Blend, against which a number of other crude oils are priced, has risen by 19.6 per cent since the beginning of the year. But the dollar's sharp decline has eroded much of the gain for oil producers.

The Vienna-based Organisation of Petroleum Exporting Countries yesterday said there were no studies under way on the currency issue. Nor has the Opec secretariat been formally approached by any individual Opec members about it.

But a spokesman said some ministers might table a motion on the subject at Opec's next meeting in Vienna on June 19.

Currency hedging techniques are used by some Opec states, as well as by some big international oil companies, to protect their revenues from swings in the value of the dollar.

But some Middle Eastern Opec states have refused to adopt such strategies on religious or ideological grounds. Attempts by western banks to persuade Opec countries to use oil price futures have run into similar problems.

Any debate within Opec about the use of the dollar is likely to split along political lines, say analysts. Some countries with strong economic and military ties to the US, such as Saudi Arabia, are likely to be reluctant to change the traditional dollar-based system. But Iran and Libya, both of which are under unilateral US economic sanctions, are keen to see the dollar dropped.

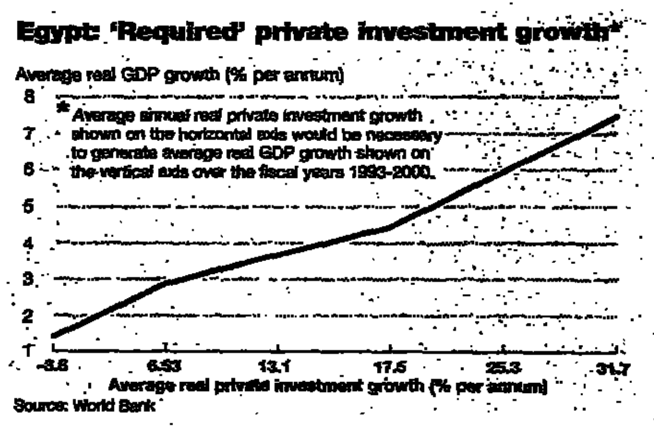
Sell-off test of Egypt's reform

James Whittington and David Gardner on fears of privatisation

Egypt's willingness to privatise its state-dominated industry will be tested over the next few weeks as the government decides whether to push ahead with the first full sale of a state asset through the Cairo Stock Exchange.

Privatisation is the linchpin of the second phase of an economic reform programme agreed with the International Monetary Fund (IMF), World Bank and international aid donors led by the US in 1991. But the government of President Hosni Mubarak has dragged its feet, fearing that accelerated sell-offs risk creating mass unemployment.

Egypt: 'Required' private investment growth*



Source: World Bank

A row with the IMF over the delays has held up the cancellation of a final tranche of Egypt's foreign debt, due to be cut almost in half under a debt forgiveness plan agreed with donors after the 1991 Gulf war, when it stood at an unsustainable $51bn.

The government plans to sell 314 state entities – with an official book value estimated at E£85bn (£15.5bn) – but only a handful of companies has been sold outright to industrial investors. Others have been partly divested through the issue of 10 per cent blocks of shares to the general public.

A decision to speed up privatisation by selling shares to private investors will invigorate Egypt's re-emerging stock exchange and mark a crucial step towards structural reform of the Egyptian economy.

The company in question is Kabo, a profitable knitting and weaving concern, which is 70 per cent owned by the state's Textile Industries Holding Company. Last December a local brokerage firm, Hermes Financial, was awarded the mandate to sell the government's stake.

In February it tested the market's appetite by releasing 125,000 of the 1,074,000 shares held by the holding company in a public offering through the stock exchange at a minimum price of E£200 per share. There are now plans to sell the remaining government stake.

The proposals involve placing the remaining shares with institutional investors such as mutual and foreign funds on the one hand and restructuring the management of the company on the other. Although Kabo's current managers would remain in place they would be offered share options as an incentive to improve earnings and their performance would be monitored by a number of non-executive directors, one of whom would be appointed by the investing institutions. The workforce of about 5,500 would also be offered shares in the company.

"The model is designed for a smooth transition to the private sector. It avoids the disruptions of mass sackings while encouraging the management to work for their shareholders," an official close to the proposals said.

If approved by Mr Atef Obeid, the minister responsible for the privatisation programme, the plan could form the basis for other state sales. However, substantial difficulties are likely to remain.

First, few of the companies earmarked for sale are as successful as Kabo and it will be difficult to convince investors to finance the recovery of loss-making and inefficient state enterprises. Kabo last year made pre-tax profits of E£25.9m on sales of E£127.95m, of which 28 per cent were exports, mainly to Europe.

More important is a fear of the political consequences of the unemployment which would follow mass privatisation. Analysts says that Kabo is 20 per cent overmanned and a gradual reduction in the workforce is being achieved through early retirement. But if overmanning at this level occurs across the other companies on the privatisation list, then the 70 per cent of Egypt's industry under state control would suffer huge job losses.

But already unemployment is estimated by independent economists at up to 20 per cent or 3m, and subsidy cuts aimed at stabilising Egypt's budget deficit – reduced from 17 to 1.5 per cent since 1991 – have increased already widespread poverty at a time when Mr Mubarak confronts a low-level insurgency from Islamic fundamentalists drawing support from the poor provinces of Upper Egypt and Cairo's teeming slums.

"I'm fairly confident of the [government's] commitment to structural reform, but not of the pace," said a western ambassador.

Leading cabinet liberals such as Mr Youssef Boutros Ghali who, as minister for international co-operation, co-ordinates the reform programme and negotiates with the IMF, say it is vital to prepare the ground for the radical overhaul of state enterprises, committed by succeeding governments to providing low prices, jobs for life, and import substitution, before profitability or product development.

However, one official from a donor country argued that proceeds from partial sell-offs were being used actually to expand the public sector. The government counters that only some privatisation revenue is being pumped back, to recapitalise and restructure some of the 314 companies, which have borrowings estimated at nearly twice their book value.

Ms Heba Hamdoussa, director of the World Bank-backed Economic Research Forum who has sat on the board of the holding company grouping state pharmaceutical concerns, said: "You need infusions of finance unless you want a time-bomb on your hands. This is not increasing capacity, it is about reorganising the financial structure of these companies, which have gone through 20 years of controls and distortions, starved of equity."

But one western official insisted that "the real question" was overmanning. "Whoever's doing the restructuring, they are going to have to lay off workers, and the private as much as the public sector is not going to be allowed to go too far on that."

If he is right, the main question about privatisation in Egypt is not so much speed, as the depth of the restructuring which accompanies it.

Anger at Bangkok airport contract

By Andrew Taylor, Construction Correspondent

The award to a US consortium of a contract to design a $1bn Bangkok airport terminal has antagonised an Anglo-French joint venture which originally won the design competition for the development.

Ove Arup, the UK consulting engineering, said it suspected the winning bid had been subsidised by the US government. Mr Nigel Thompson, a director of Ove Arup, said: "There is no way they can do the job for this money.

"They have either received financial assistance from the US government or the consortium is handing over most the work to its Thai partners, which would negate the whole point of having an international competition."

The contract to design the terminal, part of a $3bn new Bangkok airport, has been awarded to a consortium of Murphy/Jahn, the Chicago architects, Tams, a US engineer, and ACT of Thailand.

Murphy/Jahn yesterday denied Ove Arup's allegations, saying it had suspected that the Anglo-French bid had received aid from the British and French governments.

British and French officials became involved after the Thai airport authority began contract negotiations with the US consortium even though Ove Arup and Aéroports de Paris, the French airport operator, had won a technical design competition last year.

Mr Thompson said the original US price, then worth $45.5m, was lower than the Ove Arup/Aéroports bid of $47.5m, but subject to an inflation clause; the Anglo-French bid price was fixed.

The Thai authorities were persuaded to reopen the bidding but have still awarded the work to the US consortium, which has now reduced its bid to Baht 792m ($32.2m) compared with an Anglo-French offer of Baht 836m.

Murphy/Jahn said: "We are surprised that Ove Arup is accusing us of something that is absolute nonsense."

Chile begins Nafta talks next month

By Nancy Dunne in Washington

Negotiations over Chile's accession to the North American Free Trade Agreement will begin late next month, according to Chilean officials.

At the head of a queue to negotiate free trade with the US, Chile has become the symbol of President Bill Clinton's commitment to moving forward on the expansion of free trade throughout the western hemisphere.

The talks will begin without Congressional approval of the "fast-track" negotiating authority needed to get approval of Chile's accension to Nafta through Congress without amendment.

Chile's symbolic importance was the underlying message of Chilean officials visiting Washington this week. "Chile has become the cornerstone for the Free Trade Agreement of the Americas," said Mr Andres Velasco, an adviser to the Chilean finance ministry, in testimony before the Clinton Administration's inter-agency trade policy staff committee.

Mr John Biehl, Chilean ambassador to the US, indicated in a speech this week that the failure of Chile to join Nafta would cause widespread disappointment throughout South America, encouraging consolidation of other trade groups there.

Without "fast-track", it is unclear whether Chile's accession talks would pass the Republican Congress, with its large component of nationalistic newcomers. Business lobbyists, who have in the past taken on the chore of "educating" Congress, are busy with tax and product liability reform and environmental deregulation. They cannot be counted to press for more free trade before the 1996 elections.

Mr Mickey Kantor, the US Trade Representative, must also find his way out of a stalemate with free trade Republicans. He has been insisting on extending to Chile Nafta's additional pacts on labour and the environment.

Senator Robert Packwood, chairman of the Senate finance committee, told him bluntly early this month: "You will not get Congress to approve Chile's accession if you have in the agreement the labour and environment provisions."

One possible compromise has been floated. Congress would approve negotiating authority for Chile's accession to the trade pact. The Administration could negotiate labour and environment provisions separately and bring them to Capitol Hill, where they would have to be approved without the so-called "fast-track" and thus could be amended.

Chilean officials are standing aside from the dispute. Mr Velasco pointed out Chile's 1990 revision of its labour code which expanded workers' rights to strike. Chile has made "important progress" on environmental protection, recently approving an environment framework containing a legal apparatus for environmental action. Many lobby groups are looking to the Chilean negotiations as an opportunity to push for further liberalisation.

Mr Randolph Lumb, the federal government affairs vice-president, for example called for the total elimination of tariffs on telecommunications products.

Mr Gerald Mossinghoff, president of the Pharmaceutical Research and Manufacturers of America, called on Chile to improve its patent protection, while the Distilled Spirits Council of America has urged the immediate elimination of Chile's 11 per cent tariffs and the harmonisation and reduction of its excise taxes.

Ms Andrea Durbin of Friends of the Earth said the Nafta environmental trade agreement is "insufficient to address crucial environmental concerns present in Chile with regard to natural resource protection and enforcement of existing environmental laws", referring to fears about over-exploitation of the country's forests, fisheries and land.

Boom in Polish sales draws western carmakers

Fiat dominates the industry, writes Kevin Done

Western vehicle producers are queueing to establish a presence in the most important car market in central Europe, Poland, where new car sales grew by 3.4 per cent last year to 250,000.

The market, which fell heavily in 1992 but has recovered in the past two years, is still dominated by locally produced vehicles, led by Fiat of Italy and FSO, the Polish state-owned carmaker.

Western manufacturers are moving to establish local small-volume kit assembly operations to overcome high import tariff barriers.

Skoda, the Czech subsidiary of Volkswagen of Germany, has suffered a drastic decline in its sales, in part as a result of the high tariffs, which totalled 35 per cent last year. The duty was lowered to 30 per cent from the beginning of this year. Skoda sales in Poland fell to 1,024 last year from 4,764 in 1993 and 24,981 in 1991.

Other east European carmakers have also suffered big sales losses, however, with Lada of Russia the biggest casualty, as its sales fell to 58 from 2,114 a year earlier and 8,476 in 1991, according to figures from Automotive Industry Data, the UK-based automotive analysts.

The Polish car industry has been dominated by Fiat since its takeover in 1993 of a majority stake in FSM, the state-owned car maker, which previously produced Fiat models under licence.

The Italian group recorded more than half Polish new car sales last year, with a share of 52.2 per cent, according to Aid.

Many importers have suffered heavy reverses in the face of a resurgence in sales by FSO, which raised its share of the Polish market to 33.6 per cent from 26.3 per cent a year earlier.

FSO's outdated Polonez range will face more competition, however, as other western car makers build up local assembly.

General Motors of the US began assembly of its Opel Astra in a joint venture with FSO in Warsaw last year, and Ford of the US is planning to start assembly in the autumn of both cars and vans at a plant at Plonsk, about 60km north-west of Warsaw.

Both these initiatives will involve only the assembly of kits imported from the two US car makers' plants in western Europe, however, and will have only a modest impact compared with the presence of the Fiat group.

Fiat has nine plants in Poland making cars and components with a workforce of 17,195 and a turnover of $1.25bn. Last year it produced 260,000 cars.

Fiat faces a tough challenge to improve the competitiveness and efficiency of the automotive components sector. "One of the most difficult but at the same time very important tasks will be to support the development of technology and to improve the quality and production volumes of the Polish components industry," says Mr Franciscus Welter, director of international development at Fiat.

It has already attracted into Poland about 20 western parts suppliers and most recently signed a letter of intent with AlliedSignal for the US components maker to take over its brakes business in Poland.

POLAND'S NEW CAR MARKET
January-December 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 94	Share (%) Jan-Dec 93
TOTAL MARKET	250,047	+3.4	100.0	100.0
MANUFACTURERS:				
Fiat group*	130,461	+0.7	52.2	53.6
FSO	84,022	+32.0	33.6	26.3
General Motors	5,869	–37.8	2.3	3.9
Renault	5,397	–16.1	2.2	2.7
PSA Peugeot Citroen	5,112	+9.7	2.0	1.9
Volkswagen group	5,076	–35.1	2.0	3.2
Ford group	4,866	–34.2	1.9	3.1
Toyota	2,040	–13.8	0.8	1.0
Daewoo	1,663	+13.1	0.7	0.6
Honda	1,260	+94.1	0.5	0.3
Suzuki/Maruti	868	–32.6	0.3	0.5
Nissan	795	–46.6	0.3	0.6
Hyundai	636	–28.9	0.3	0.4
Total Japanese	5,779	–19.6	2.3	3.0

*Includes 8,242 locally assembled Fiat Unos in 1994.

Source : Automotive Industry Data.

Alongside Fiat other entries into the Polish vehicle industry have been less ambitious, but several of the world's leading car makers are keen to break the Italian group's current domination of the market.

Ford has been slow to establish automotive manufacturing operations in eastern Europe, but tariff barriers are forcing it to begin local assembly in Poland. The 30 per cent duty currently levied on imported cars compares with no duty on imports of most of the kit parts supplied for local assembly, most importantly car bodies and engines.

Ford estimates that less than 5 per cent by value of the imported parts for its kit assembly will attract duty. In some areas it will seek local suppliers, in particular for items such as batteries, tyres and glass, and eventually expects to satisfy around 10 per cent of its components needs locally in Poland.

Ford will assemble both Ford Escort small family cars and Ford Transit medium-duty panel vans with car output due to begin in mid-September. Production is forecast to reach around 10,000 next year rising to 30,000 in 1998.

GM Poland, which is owned 70 per cent by GM and 30 per cent by FSO, is aiming initially to assemble 10,000 cars a year at the Warsaw plant with a workforce of 125 following an investment of around DM30m ($22m).

WORLD TRADE NEWS DIGEST

Japan carmakers to slash costs

Japanese car makers, battered by the yen's persistent rise against the dollar, have embarked on a campaign to reduce costs by a further 25-30 per cent, according to a Japanese trade official. The move makes it highly unlikely that they will agree to increase their procurement of foreign car parts as requested by the US, Mr Osamu Watanabe, director-general of the Machinery and Information Industries Bureau of the Trade Ministry said yesterday. The country's car industry has made substantial cost cuts over the past several years as they faced a rising yen and in the latest round of cuts but they were "fighting for their survival", Mr Watanabe said.

Mr Watanabe's remarks came as US and Japanese negotiators remained locked in negotiations over ways to improve foreign access to Japan's car and car parts markets. The experts' meeting to discuss the issue will end today, after a one-day extension, but the gap between the US and Japan was still large, officials indicated. *Michiyo Nakamoto, Tokyo*

Taipei rail plan revived

A proposed T$442bn ($17.4bn) high-speed rail project to link Taipei with the southern port of Kaohsiung has been revived following two years in limbo after funding was rejected by Taiwan's legislature in 1993. Legislative subcommittees of budget, finance and transport have passed the first reading of the budget. It must pass two further screenings by the full legislature in order to become effective. The initial two-year budget will cover land acquisition, administration and planning. The line is scheduled to begin operation in 2003.

Mr Liu Chao-shiuan, minister of transport and communications, said earlier that some 40 per cent of the project's total funding would come from the private sector. *Laura Tyson, Taipei*

Investment co-operation

Representatives of some 60 investment promotion agencies from around the world decided yesterday to set up a world association to promote co-operative activities, particularly in information sharing, training and management systems.

Mr Páid McMenamin, managing director of International Development Ireland, one of the first in the field, said the move was "a very good example of international co-operation in a practical sense that will lead to economic advance". While investment promotion agencies (IPAs) were often in competition with one another, they also had common interests. The meeting in Geneva, hosted by the United Nations Conference on Trade and Development, was the first such gathering of IPAs. *Frances Williams, Geneva*

■ Toshiba will boost production of video cassette recorders in Singapore, eventually making about 90 per cent of its VCR production overseas because of the yen's appreciation and good demand in Asia, US and Europe. Toshiba has just decided to ask its joint venture in Singapore International Video Products to make 2.1m VCRs for Toshiba in 1995-96, up from 1.5m in 1994-95. *Reuter, Tokyo*

■ Disney Cruise Lines, a subsidiary of the Walt Disney Company, has ordered two 2,400-passenger cruise liners, Italian state ship builder Fincantieri said. *Reuter, Rome*

■ Boeing is considering building an aircraft parts plant in Malaysia. Discussions on the plant are still at an exploratory stage, Boeing deputy managing director Richard Albrecht said after a meeting with Prime Minister Mahathir Mohamad. *AFX, Kuala Lumpur*

Partners give Hanoi extra time to bring in tariff cuts

Asean makes way for Vietnam

By Ted Bardacke in Bangkok

Members of the Association of Southeast Asian Nations will give Vietnam extra time to comply with the organisation's swift tariff reduction commitments when the country becomes a full Asean member in July.

As the seventh member of Asean – the current six are Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – Vietnam has agreed to join the Asean Free Trade Agreement, (Afta), which calls for steady reduction of tariffs so that by 2003, 85 per cent of goods traded within the region would face maximum tariffs of 5 per cent.

But at an informal Afta council meeting on the resort island of Phuket in southern Thailand, Asean economic ministers decided to allow Vietnam, whose free-market economic reforms are still in their infancy, to protect its economy for an additional and unspecified period.

Diplomats and trade officials say this move could effectively result in splitting off most trade issues from Asean, setting up a separate body to deal with trade and letting Asean focus on broader issues of regional co-operation.

A joint statement issued at the end of the meeting said that Vietnam had agreed to reduce trade barriers when it joined Asean, but that the Afta council "agreed that flexibility should be given to Vietnam in her implementation of the [tariff] scheme in view of her transition from a central planning to a market economy."

Before going into the meeting, Asean secretary-general Mr Dato Ajit Singh added: "They admit that the country needs a bit more time to adjust their economy's structure before exposing it to Asean members."

"Everybody in the area is anxious for Vietnam to join Asean so the group can deal with important political issues," said a western diplomat observing the meeting. "If that means initially playing down the trade aspect of Asean, that is a sacrifice the members seem willing to make."

Asean members are keen to open up the Vietnamese market because they believe special access to Vietnam will increase direct foreign investment in the region by companies which want free entry to the rapidly growing market of 71m people.

Vietnam will also diversify the range of economic development within Asean. Critics charge that the organisation is made up of economies that do not complement each other but rather are competitors in the world economy. Intra-Asean trade accounts for only 18 per cent of all trade in the region.

Other items on the meeting's agenda included a region-wide standard for copyright and intellectual property law and the sensitive issue of tariff reduction on non-processed agricultural products, particularly rice. Such goods are excluded from Afta, but rice-exporter Thailand, arguing that Afta should move faster than the General Agreement on Tariffs and Trade on agricultural trade, is pressing for rice tariffs eventually to be removed. Malaysia and Indonesia are balking at the idea.

"Thailand is really pushing for it hard, but there is nothing of major importance they can offer us and Malaysia in return," said an Indonesian diplomat.

A Vietnamese motorcyclist transports dozens of live ducks through Ho Chi Minh City yesterday AP

Inflation rate rises to 3.9% in Australia

By Nikki Tait in Sydney

Australia's inflation rate rose to 3.9 per cent, on an annual basis, in the first quarter of 1995, compared with 2.5 per cent in the year to end-December.

But the upward move was attributed to mortgage rate increases resulting from the three interest rate rises which occurred in the latter half of 1994.

The "underlying" rate, which attempts to disentangle extraneous, one-off factors, rose just 0.3 per cent in the March quarter, for an annual rate of 1.9 per cent.

This compared with a 0.5 per cent increase in the December quarter, when the annual underlying rate of inflation stood at 2.1 per cent.

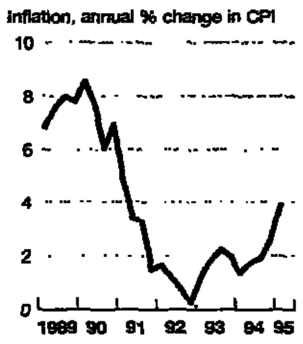
The inflation rise was in line with analysts' predictions, but the underlying increase was significantly lower than financial markets had expected. Bond prices rallied strongly as a result.

The figures were welcomed by Mr Ralph Willis, Australia's treasurer, who said that they demonstrated that inflationary pressures remain subdued, although he warned that the impact of last year's interest rate increases would also be felt in the current quarter, pushing up the inflation rate again.

"So far, we have a 1.1 per cent increase in the consumer price index from interest increases.

Australia

Inflation, annual % change in CPI



Source: Datastream

"I expect that in the next quarter we will have something like 0.3 or 0.4 per cent coming through into the consumer price index from the interest rate increases that have occurred." Mr Willis declared.

He added that there should be no new implications from yesterday's data for the forthcoming federal budget, which is scheduled to be unveiled on May 9.

Separate data showed that average weekly earnings rose by 1.7 per cent (unadjusted) in the three months to February, after a 1.5 per cent rise in the previous quarter.

The annual rate increased from 4.1 per cent to 4.5 per cent. This was slightly higher than predicted, but was within the range thought by the Reserve Bank to be acceptable, given the rate of productivity improvements.

Willis gets a rate rise breather

But he may be forced into a tight budget, writes Nikki Tait

Time has been on the side of Ralph Willis, Australia's Treasurer. As he puts the finishing touches to the federal budget that he will present on May 9, the task of moulding a package that satisfies financial markets without alienating voters looks easier than it did four months ago.

With the economy growing at about 6 per cent a year in the second half of last year, buoyed by a post-recession wave of private consumption and investment spending, alarm bells rang. Growth at that sort of rate was thought likely to exhaust domestic capacity, cause serious balance of payments problems and push up inflation. A boom-bust cycle, hideously familiar to Australians, beckoned.

Interest rates were increased three times and, by the end of the year, the growth rate had slowed to 5 per cent. This figure was lower than many analysts – and, apparently, the treasurer – had expected, and most still believe that it understated what was happening.

There has been evidence of further deceleration since then. Consumer and business confidence indices have generally showed sentiment ebbing, for example, and retail sales growth has fallen away.

"There has been a significant weakening in business conditions during the March quarter. That weakening was broad-based and unexpected," commented a National Australia Bank survey, published earlier this month. "The weaker-than-expected business conditions have seen capacity utilisation move downwards ... and some levelling off in near-term wage and price pressures."

But if Australia's economy is back on a safer course, a political price may have already been paid. The interest rate rises of last year were widely blamed for the ruling Labor party's failure to hang on to a near-safe seat in the Canberra by-election last month. The swing to the Liberal-National coalition was 16 per cent, the largest in 20 years.

To compound the problem, many pundits believe that, even now, the growth rate is too high. Bill Shields, chief economist at Macquarie Bank, predicts that at current interest rates, private demand will rise by about 7 per cent this year. The economy overall could grow at about 4 per cent. That, he suggests would "breach the upper end" of the desired parameters.

But if the economy is back on a safer course, a political price may already have been paid

Mr Don Stammer at Bain and Co agrees, citing Australia's continued balance of payments woes said: "Growth is probably at about 4 per cent – and even that is too rapid, given that Japan [which takes a quarter of Australia's exports] is taking so long to come out of recession and given the low levels of domestic saving".

With the benefit of higher coal prices yet to show through and rural exports depressed by drought, the 1994/95 current account deficit could exceed the government's revised estimate of A$26bn (£11.8bn) and run at about 6 per cent of gross domestic product.

A further rise in interest rates is thus not being ruled out. Macquarie, for instance, forecasts that another 150 basis point could be added to the official cash rate this year.

But the political downside to anything beyond the most modest adjustments leads many pundits to believe the forthcoming budget will be tight – the government's hope being that additional monetary tightening can be forestalled. In January, Mr Willis pledged to move to a balanced budget by 1996/97. The question now is how convincingly close can he come in the intervening year?

Economists differ on the starting point for the budget arithmetic. The last official estimate for the 1995/96 deficit was A$9.8bn. However, proceeds from the Qantas float – perhaps A$2bn – have been shifted from 1994/95 to 1995/96 and government revenue will also benefit from the higher growth rate.

Thus some forecasters put the "starting deficit" at A$7bn-plus (compared with an estimated A$12.3bn in 1994/95); others pitch well below A$6bn. Mr Willis has indicated that something "around" the A$7bn mark is most likely. Either way, financial markets are looking for a cut of at least A$3bn.

Some broad areas for saving have been flagged. Extensive labour market programmes set up to tackle unemployment in the darker days of 1993/94 should look less costly, given the recent fall in unemployment. Some tighter targeting of welfare benefits seems likely.

On the revenue front, there has been talk of raising the company tax rate from 33 to 35 per cent. This could generate about A$1bn, although it would partly reverse a decision to cut the rate from 39 per cent, just two years ago.

An increase in the personal tax on wealthier individuals, possibly through changes to the "Medicare" levy, the national healthcare tax, is another possibility.

A bigger dividend from Telstra, the government-owned telecommunications group, and part privatisation of some of its subsidiaries, such as Yellow Pages, have also been mooted. The introduction of a 3 per cent superannuation levy on employees – a move which would help to improve Australia's low savings ratio – seems almost certain.

All this adds up to a complex political game given the absence of a government majority in the Senate, parliament's upper house, through which finance measures must pass.

Some analysts worry that ministers may yet sculpt a package which is politically palatable and depends on one-off items to achieve the desired cuts, rather than pursue more sustainable changes.

"It's going to be a question of how people assess the nature of what's proposed, not just the numbers themselves," says one analyst, summing up the financial community's lingering scepticism.

Beijing party chief 'submits resignation' amid scandals

The Communist Party chief of Beijing, Mr Chen Xitong, has submitted his resignation amid a string of corruption scandals in the municipal government, Reuter and AP report from Beijing.

The reports, attributed to sources in the Beijing government, were denied by an official in the Beijing city mayor's office.

However, it is reported that Mr Chen, a member of the Communist Party politburo, had accepted responsibility for the activities of his subordinates, and was to be replaced as Beijing party chief by fellow politburo member Mr Wei Jianxing.

Mr Wei, a protege of national assembly chairman Mr Qiao Shi, is currently head of the party's Central Commission for Discipline Inspection, the watchdog of party probity.

Mr Chen's resignation, if confirmed, would mark the culmination of a series of recent corruption scandals, some with political overtones, which have rocked Beijing's powerful municipal government.

The city's second vice mayor, Mr Wang Baosen, a former aide to Mr Chen, committed suicide on April 4 after coming under investigation for corruption. It was the first reported suicide of a senior official since the purges of the Cultural Revolution.

Other senior Beijing officials are currently under investigation, including a second former aide to Mr Chen and a senior city state security official.

Beijing's political turmoil may also reflect manoeuvrings within the communist party elite, intensifying as the Deng era draws to a close amid recurrent tales of the elderly patriarch's imminent death.

Mr Chen, said to be an associate of prime minister Li Peng, was promoted to the politburo following his hardline stand as mayor of Beijing against the 1989 Tiananmen Square pro-democracy demonstrations.

However, he is rumoured to have clashed with party chief and state president Mr Jiang in recent months.

It is not clear if the politburo, headed by Mr Jiang, would accept Mr Chen's resignation. The only senior Chinese Communist Party official to have resigned was late party chief Mr Hu Yaobang.

Chinese analysts said if Mr Chen's resignation were accepted it would almost certainly only be with the approval of paramount leader Mr Deng Xiaoping because of Mr Chen's seniority in the Communist Party.

Mr Chen has not resigned from the Politburo, to which he was elected in 1992, the sources said.

ASIA-PACIFIC NEWS DIGEST

Row over blow to Tokyo fair

A decision to cancel an international exposition in Tokyo by Mr Yukio Aoshima, the city's new governor, drew heavy criticism from companies taking part and metropolitan government assembly members yesterday. Cancellation of the World City Exposition, in which cities including New York and Rome planned to take part next year, raised an outcry from leading businesses including Nippon Telegraph and Telephone, Sumitomo and other companies which had started to build pavilions.

The Tokyo government, trying to persuade Mr Aoshima to retract his decision, estimates it would have to pay Y80bn (£600m) in compensation to businesses and foreign cities if cancellation goes ahead, as well as losing the Y20bn it has spent on the project. The cancellation was one of Mr Aoshima's campaign promises.

The project was conceived at the height of the asset "bubble" in the late 1980s by the then governor, Mr Shunichi Suzuki. The exposition, to be launched next March for 204 days, would, the Tokyo government estimates, attract some 20m visitors, but Mr Aoshima has called such projections too optimistic. *Emiko Terazono, Tokyo*

Japan subcontractors 'bullied'

An investigation by Japan's Fair Trade Commission anti-monopoly watchdog has found 94 per cent of Japanese retailers which subcontract private brand products had "bullied" their subcontractors by returning undamaged articles, and taking other steps which breach Japanese law.

About 30 per cent of Japanese retailers investigated by the FTC were found to have returned private brand articles to the companies, on the grounds they were not selling well.

Failure to make payments on time or include payment prices on contracts was also commonplace. Of the 700 retailers surveyed, 42 per cent of department stores and 39 per cent of supermarkets returned products received from their subcontractors.

Some retailers demanded delivery payment from subcontractors, while 15 per cent of retailers surveyed had forced subcontractors to purchase goods from their stores.

The findings were based on a survey of 700 retailers and 1,900 subcontractors covering the first half of 1994. The FTC has asked retailing associations to ensure retailers comply with Japan's subcontracting law, which prohibits certain practices against subcontractors. But the FTC does not have any legal power against offenders. *Michiyo Nakamoto, Tokyo*

Recycling bill under way

The Japanese government is today to formalise a controversial environment bill on recycling bottles, cans and plastic. The expected approval comes after haggling between the health and welfare ministry, the ministry of international trade and industry, and the agriculture ministry over who should help bear recycling costs.

Under the agreed bill, manufacturers, distributors, importers and container makers will have to pay part of the recycling cost. The health ministry and Miti had initially rejected the agriculture ministry's call for container and container-material makers to have to share costs. The final compromise includes only container makers among industries covered by the bill. *Emiko Terazono, Tokyo*

India to speed investment

New Delhi yesterday outlined plans to speed foreign investment projects, proposing a fast-track authority to aid implementing partnership with state governments. Commerce Minister P. Chidambaram told a conference at the Indian Institute of Foreign Trade: "The investor coming to India faces too many constraints. We must find a way for investment to be dealt with on a special track so the time from the day of submitting the proposal to the day production commences is cut drastically." The government wanted to speed access for foreign investors to water, power and roads.

"It requires giving overriding powers to ensure these services are provided." The type of link had yet to be determined, but "I think most states can be persuaded".

Between 1991 and 1994, the government approved $7.2bn (£4.5bn) in foreign direct investment, much of it in petroleum. US proposals made up 38 per cent of the total, with Britain in second place with 9 per cent. But only a quarter of proposed direct investment has yet flowed into India. *Reuter, New Delhi*

Mahathir wins last seat

Malaysia's prime minister Mahathir Mohamad capped this week's landslide election victory by winning the last undeclared seat in the north Borneo state of Sabah yesterday. Polls in the Kinabatangan seat had been delayed because constituency officials had forgotten to open a polling station.

Victory in Sabah underscored Dr Mahathir's National Front coalition's biggest election win. The coalition has 162 of the 192 seats in the new parliament; it also won 10 of the 11 state assemblies contested, its only setback being failure to recapture Kelantan from the fundamentalist Moslem All-Malaysian Islamic party. *Reuter, Kuala Lumpur*

■ New orders received by Taiwanese manufacturers in March were up 17.9 per cent from the same month last year and up 5.4 per cent from February. Overall leading indicators dipped fractionally in March, down 0.1 per cent to 105.4 on the month.

■ South Korea's current account deficit widened to $1.64bn (£1bn) in March, from $485m a year ago, due to soaring imports. Current account deficit in the first quarter rose to $3.75bn from $2.16bn a year ago.

ADVERTISEMENT

THE DOCUMENT COMPANY RANK XEROX

Mr Heseltine joins Bernard Fournier, MD of Rank Xerox at the opening of its Technical Centre in Welwyn, Herts. *Picture: Stewart Goldstein*

Rank Xerox invests £37m in document-productivity complex

Welwyn centre opens

On April 21, Mr Michael Heseltine, president of the board of trade, opened Rank Xerox's £37m Technical Centre in Welwyn, Hertfordshire. The centre brings together 800 staff, who can now work more closely to develop solutions that add value to customers' business processes and enhance the use of traditional Xerox equipment.

During a tour of the 200,000 sq ft centre, Mr Heseltine was shown a number of solutions in areas such as systems integration, software development and educational and language support.

Mr Heseltine then entered the stage of the main auditorium where more than 200 customers were present. Mr Bernard Fournier, managing director of Rank Xerox, gave a short speech underlining the importance of the centre to Xerox.

"It centralises a lot of activities that were decentralised before and will increase the synergy between them, allowing Rank Xerox to focus on its top priority of customer satisfaction," he said.

Shift in emphasis

Mr Fournier then introduced Mr Paul Allaire, president and chief executive officer of Xerox in the US. Mr Allaire said the centre demonstrated Xerox's shift in emphasis from manufacturing to professional services, such as consultancy for companies who want to connect Xerox's products up to networks. Some 60 per cent of staff at the new centre have systems and networking skills.

Other services offered by the centre include: systems integration (integrating different systems); document products, applications and services; education and training; and translation services.

"The centre's expertise won't just be confined to the UK," said Mr Allaire. "It will be a centre for excellence within Xerox, providing expertise to 129 countries (outside the Americas). It will be able to demonstrate how world-class productivity can be achieved through more effective document creation, distribution and printing." He said Xerox had made a major investment in the centre because it saw increasing customers' document productivity – through more effective documents, produced, translated and distributed more quickly – as a significant business opportunity.

Mr Allaire then introduced Mr Heseltine who welcomed Rank Xerox's investment in Welwyn, Hertfordshire, and its close links with local schools and colleges, and local businesses. These have been developed since 1968 when Rank Xerox set up a manufacturing plant at the present site. It now manufactures at other sites in the UK and Europe.

Mr Allaire said: "Education facilities in Welwyn Garden City are excellent and the company has well-established recruitment and training programmes, ensuring a healthy flow of locally-trained apprentices and trainees for the future. Its location in Hertfordshire has played a major part in the success of the company as it provides a convenient location between the United States and Rank Xerox markets in Europe, Asia and Africa."

Mr Heseltine then unveiled a plaque celebrating the opening of the Technical Centre and expressed the wish that other high-tech companies would follow the Rank Xerox example by locating international centres for excellence in Britain.

The day continued with speeches from a number of Rank Xerox divisions. Among the highlights was a talk on 'Documents Direct', a sort of "electronic DHL" service for creating, translating and distributing documents over global networks. Mr Chris Barnes of Rank Xerox Business Services Division said the Technical Centre would play a key role in providing this service.

Two-day showcase event

The official opening of the centre was the second day of Rank Xerox's two-day Showcase '95 event. The event was designed as a showcase of best-of-breed applications for improving document productivity. On April 20, the company's value-added resellers were invited to demonstrate their document solutions to 300 people.

Mr Roy Capon, who helped to organise Showcase '95, expects customers to benefit from the increased centralisation made possible by the new building.

"The centre combines customer support with staff involved in customising document solutions, and development staff," says Mr Capon, manager of business solutions services at Rank Xerox.

"I believe there will be a lot of cross-fertilisation of ideas between them and an increase in productivity, not just here in Welwyn but at Rank Xerox customer operations in other countries which the Centre supports."

SPONSORSHIP PUTS YOUNGSTERS IN TOUCH

Some of the areas with highest priority on South Africa's development schedule will receive a major boost to their ability to influence young people this year. As a direct result of the Rugby World Cup, and the sponsorship package put together by Rank Xerox, 17 of the South African Rugby Football Union's development officers will be given Rank Xerox equipment, enabling them to distribute more information about the sport to young people, many of whom are living in township areas. Attracting young people to the game of rugby, and the values that it espouses, is a specific priority for SARFU and a key factor in South Africa's cultural development programme.

Documents for the world

At least half of the world's multinational companies need to distribute up to 50 per cent of their key documents on a global basis, according to a recent survey by Xerox in the US.

But many are under-equipped to do this, either because the capacity of their computer networks is limited (especially for bulky documents) or because they are not able to translate them quickly enough, or print them on demand.

Mr Chris Barnes, marketing manager of Rank Xerox Business Services (XBS), says: "In the past 10 years, many organisations have focused too much on information technology (IT) and too little on critical documents. Badly produced documents can dissatisfy customers and delays in producing documents (such as manuals) can delay products.

XBS is already managing global document distribution for organisations such as the European Patents Office

"One of the major growth areas in document outsourcing will be in global document distribution or what we call 'Documents Direct'. There is a market need to create, translate, store, print and distribute documents on a regular basis for customers operating in global markets."

XBS is already managing global document distribution for organisations such as Dun & Bradstreet and the European Patents Office. Critical Dun & Bradstreet market reports are received at the XBS technology centre in Gloucestershire either via a network or electronic tape. Then, via sophisticated project management processes, they are checked, printed on electronic laser printers and distributed to Dun & Bradstreet locations throughout the world, finished to customer requirements.

Other global companies which have outsourced the management of mission-critical documents to XBS include Ford and Barr & Stroud.

"Every organisation needs its critical documents in the right place, in the right language at the right time, whether it be a time-critical document such as Ford Mondeo service manual translated into Hungarian (the car won't leave the factory without it) or engineering drawings for a local maintenance of a Barr & Stroud periscope," says Mr Barnes.

The market for document outsourcing is relatively new but the emphasis is beginning to change. XBS started to offer document solutions in the recessionary late 1980s, when customers saw outsourcing their document management as a way of cutting costs.

"Now customers are becoming more demanding", says Mr Barnes. "They want us to tell them how to make better documents. They are starting to see outsourcing document management as a way of adding value to their business – making a contribution to improving productivity or time to market, while enhancing the appearance and quality of their documents."

Change management strategies (such as business process re-engineering, where a company breaks down business processes into their constituent steps and re-designs them with the aim of speeding them up) have also highlighted the importance of the document.

"Documents are the glue that binds the different steps together," says Mr Barnes. It is little wonder then that documents consume an average of 60 per cent of office workers' time and up to 8 per cent of revenues (*Source: Xerox*).

XBS offers a variety of services which can help companies get more performance from their documents. These range from consultancy from its team of document consultants, to managing companies' own print rooms, to managing document production, translation and distribution.

Its network of high-street Document Centres also provide document outsourcing services.

More than 100 UK companies have outsourced the running of their print rooms to XBS.

Multinational companies make particular use of XBS' translation services.

XBS uses computer-assisted translation techniques to provide large-scale, multilingual translation services.

Working with clients such as General Motors' subsidiary Vauxhall, it keeps a computer record of the way in which the company requires certain words or phrases to be translated.

This means that in subsequent jobs for Vauxhall, a term such as "fuel line" will always be translated in the same way.

Xerox's translation software was developed in-house and XBS has built up several specialised dictionaries which help speed up the process of translating a document (such as a car manual) from English into more than 20 European languages.

The software is designed to work with particular translators at XBS's Language Technology Centre, complementing the way they work. But translation is not viewed as an isolated task, rather as part of the document life cycle.

This process becomes quite complex when many versions of the same document in different languages are involved. So project managers are assigned to make sure the different phases are synchronised and critical deadlines met.

Rank Xerox practices what it preaches and contracts out a number of business-critical services

Tight project management has helped XBS develop a major business from its UK-based translation services. It also has a network of translators around the world.

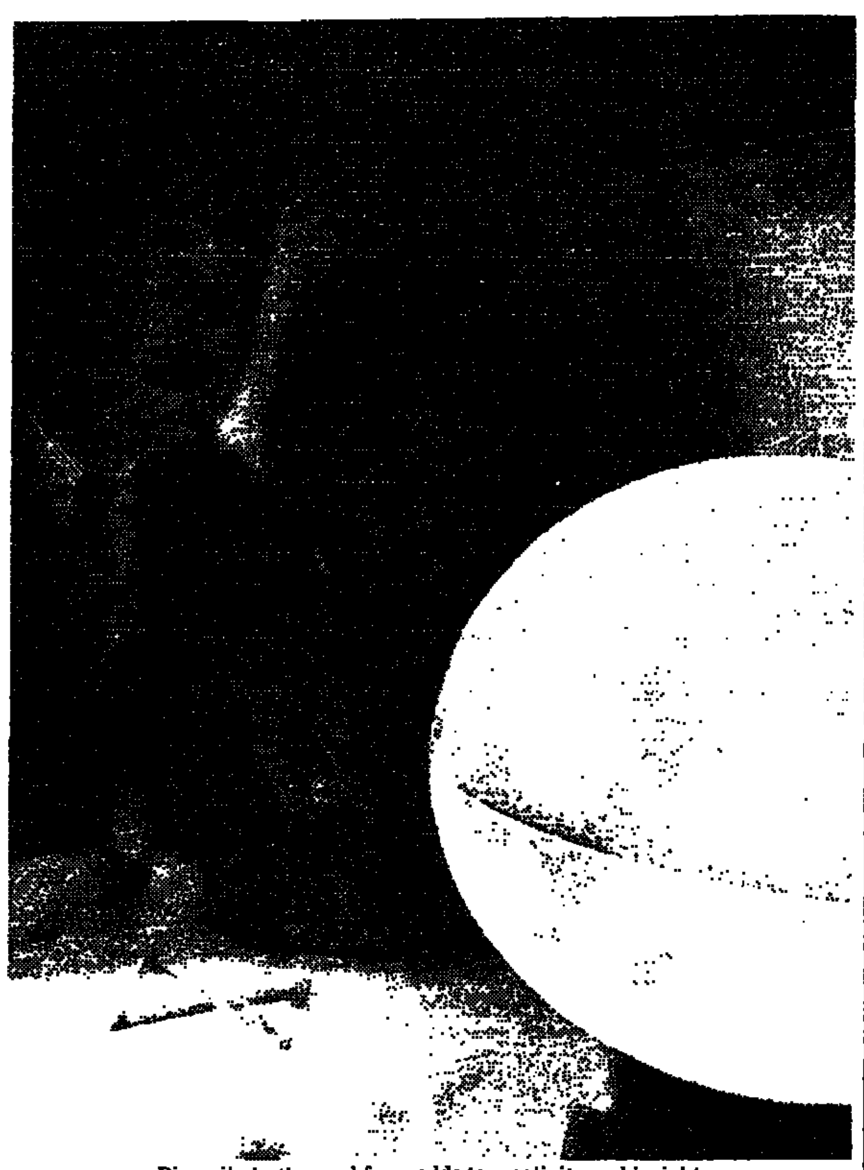
But Rank Xerox does not just see outsourcing as something it sells to customers. It also practices what it preaches and contracts out a number of business-critical services.

It has, for example, outsourced the management of its UK sites to CBX, a company founded by former Rank Xerox employees and backed by Rank Xerox, those former employees (in a partial buy-out) and cost management consultancy Currie & Brown.

The company also outsources equipment distribution to TNT and worldwide information management to General Motors' subsidiary EDS in one of the world's largest IT outsourcing deals.

Barnes believes that document management outsourcing is catching up rapidly with the growth rate achieved in the 1980s for IT outsourcing.

He says the total UK market has grown some 400 per cent since 1990 with more than 250 organisations outsourcing document management.


Diversity in the workforce adds to creativity and insight

WHY DIVERSITY IS THE BEST POLICY

Rank Xerox wants its workforce to mirror the diversity it finds in the countries in which it operates. Diversity is more than a moral imperative, the company believes. It also makes good business sense.

"The available pool of potential employees is going to change due to demographic trends, such as fewer young people in the workforce, and women gaining more qualifications," says Liz Barnes, the Rank Xerox personnel manager responsible for equality and diversity. "Companies which limit themselves to hiring only white males will miss out on some of the best recruits."

A diverse workforce can also add to a company's creativity as a broader range of opinions helps form its perspective. And a diverse workforce can provide insights into an increasingly diverse customer base. "With global competition, you have to understand people from different cultures," says Barnes.

However, Rank Xerox sees diversity as more than just giving equal opportunities to people with different physical attri-

Following a survey carried our in its Marlow office, Rank Xerox is to run a series of workshops for all staff, to raise awareness of diversity

butes. It is about sustaining a culture where individual differences of all kinds are valued; where people can be themselves and make a full contribution.

But how is this to be achieved in practice? Following a survey carried our in its Marlow office, Rank Xerox is to run a series of workshops for all staff, to raise awareness of diversity. The workshops will examine the importance of diversity and what part they have to play in encouraging it.

The workshops will be followed by skills training (for the top tier of managers) in supporting diversity. And all the company's European human resources/personnel managers will meet in early April to discuss equality and diversity, share best practice from each of their countries, and produce a programme of action.

The first step is to make managers aware of their unconscious assumptions, *says Barnes. The next is to show them* what is wrong with the assumptions. For example, a 25-year-old woman who has just got married might be passed over for promotion on the mistaken assumption that she will get pregnant and leave.

"But the career aspirations of women have changed," says Barnes. "More and more women have degrees. They are also having fewer children [down from an average of 2.2 to 1.8] and they are having them later [the average age is 28]."

"In addition, people will often become aware of their attitudes if asked constantly why they promoted one person rather than another. And once they are aware that they are discriminating, many will stop. Over time, it is possible to create an environment where certain types of behaviour are considered unacceptable, as has happened with smoking."

Rank Xerox is against having enforced quotas for the number of ethnic minorities, women, and people with disabilities it wants to hire.

But, as part of its policy for mirroring the diversity in the communities it serves, the company will be looking at how many ethnic minorities are entering the UK workforce with the types of qualifications and skills it requires. It has set recruitment goals and will monitor its progress against them.

Managers will be encouraged to hire from the greatest pool of talent available, based on getting the best person for the job.

Barnes believes that: "Once we've promoted and sustained a culture where diversity is valued, we will be able to stop worrying about the numbers." To support that position, Rank Xerox is planning to do some work on its advertising to attract more applications from people with disabilities, and its subsidiaries around Europe will be concentrating on different aspects of diversity, depending on their local circumstances. For example, Rank Xerox in France will be focusing its recruitment campaign to attract more women into the company.

In the UK, Rank Xerox plays an active part in many equal opportunity and diversity initiatives. In 1992, the company won the UK's Women in Business Award. It is involved in a Vanguard Group benchmarking initiative, and is represented on the Confederation of British Industry's Equal Opportunities Plan, the Employers Forum for Disability, Women 2000, and the Race for Opportunity. "Our aim is to discriminate only on the basis of ability," says Barnes. "We are breaking away from a mould or an image of what a Rank Xerox employee has to be or to look like."

INTO THE FUTURE

As chief executive of Rank Xerox Bernard Fournier has been in charge of pushing through a programme of massive organisational change. Until recently, however, he has had little evidence that his efforts were paying off.

"In 1993 in particular, we worked extremely hard but did not see any results," he recalls. "We knew we were doing the right things but had no way of judging for sure".

Although such frustration was then no doubt equally familiar to many of his counterparts – those similarly struggling with what proved to be the tail-end of recession – few can have embraced change on quite so many fronts at once: the launch of a new corporate identity; the loss of 3,000 out of 27,000 jobs; the re-organisation of product and service divisions into smaller geographic units; and, perhaps most ambitious of all, the re-engineering of the company's four core processes.

Now, several years on, Fournier can gauge the merits of his strategy with greater certainty. "Last year, we improved revenue by 5 per cent, while pre-tax profits before restructuring costs grew by 80 per cent", he remarks. Equally as important, those inside can actually see the difference.

"Now people understand that we were doing the right things", he explains.

Perhaps the most visible change from outside is the re-styling of Rank Xerox as 'The Document Company', a name that charts the shift away from the copiers with which the company has been traditionally associated to its current emphasis on a broad range of document management solutions. As Fournier observes, it is a move that requires a certain amount of re-education, both internally and externally.

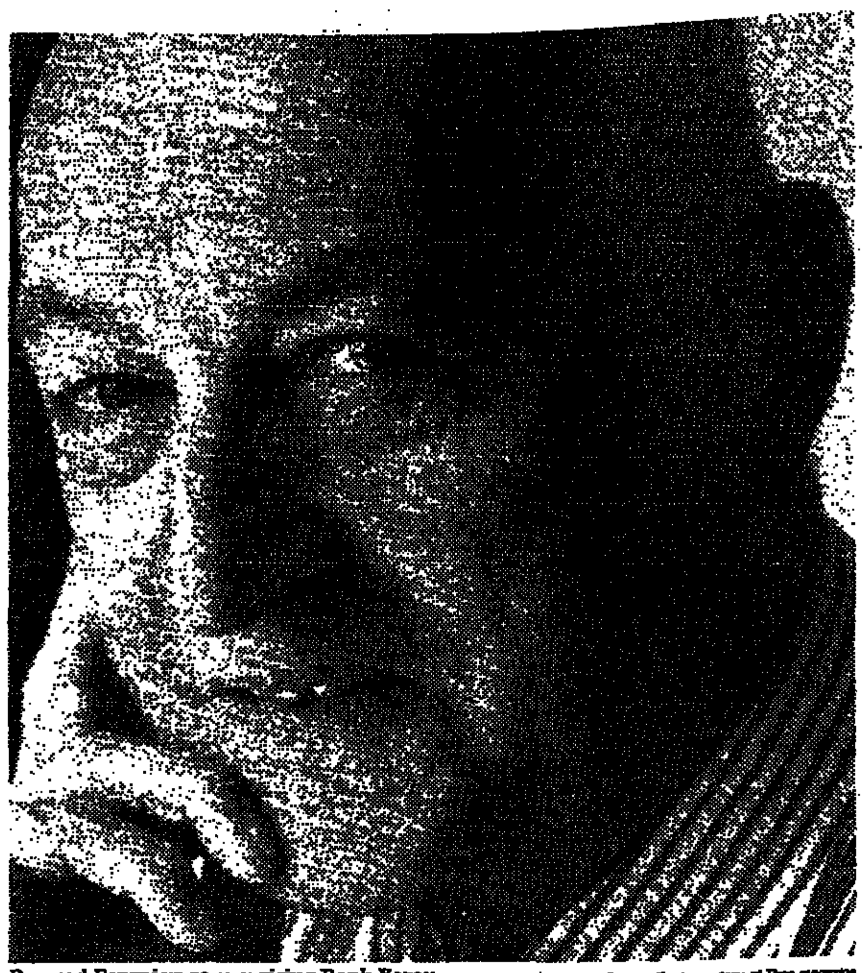
"The problem is that the notion of the document is not clearly understood by the market – and, to an extent, not totally by ourselves, either. As a result, we have to educate the market, and we have to look at how it develops".

To press his point, Fournier cites figures that underline the central role of the document in any business: that the cost of creating and managing documents typically accounts for about 8-10 per cent of a company's turnover (as against only 3 per cent for information technology); that documents consume up to 60 per cent of the average office worker's time.

"If we tell companies that they will make large gains in productivity if we can improve both the way in which we make these documents and the message which comes out of them, then they start to understand. Some already do.

"But," he warns, "it will take time". In the interim, Rank Xerox might take comfort from the fact that many of its competitors appear to follow the same logic. As Fournier points out, the terms "document management" and "document solution" have gained an increasing currency across the industry.

He also senses that "people are now more open to the idea that handling the


Bernard Fournier: re-energising Rank Xerox

Picture: Graham Trott, courtesy of Time magazine

document is a management issue."

It is not just the company's name and logo that are different, however. The substance, too, has radically changed. With the aim of improving the organisation's responsiveness to both current and future change, Fournier instituted an extensive restructuring programme. On one side, Rank Xerox was split into nine business divisions, to mirror the Xerox organisation. On the other, its existing structure of sales and service operations based on

Rank Xerox opted to introduce a new business unit based on what it judged to be the ideal size – about 400 staff. It is now a model applied throughout

national boundaries was divided into customer business units (CBUs).

The rationale was simple. "Again and again we found that, whatever the economic environment, the areas that produced the best results – Portugal, Switzerland, Austria, Belgium, Holland and Denmark – were also usually the smallest".

From that simple realisation, and building on the findings of previous benchmarking exercises, Rank Xerox opted to introduce a new business unit based on what it judged to be the ideal size – about 400 staff. It is a model now applied throughout, with the result that today many of its largest markets – including its traditional heartlands of France and Germany – are now divided into a patchwork of CBUs. The UK and Ireland, for example, currently comprises seven units. Belgium, meanwhile, remains as one.

In tandem with this decentralisation, the managers of these new units – those who, in many cases, previously held the equivalent title of regional manager – have been given greater powers.

"You might say that it's the same job with a different name", counters Fournier. "But that would ignore the fact that each manager is now responsible for profit and loss and can make a whole range of decisions as to how that unit is run".

In some cases, the effects of devolution have been remarkable. Italy, for example, after years of consistently poor results, was recently split into three autonomous units. Already, in the first year under this new arrangement, revenues have grown by 25 per cent.

Furthermore, Rank Xerox has also sought to re-engineer some of its key processes with the aim of reducing overheads by 20 per cent. Four main areas have

Continued on Page III


Delegates receive practical advice on what and how to move forward in their companies

Making quality a business

Rank Xerox, winner of an enviable clutch of worldwide quality awards such as the Baldridge Award and the Deming Prize, is something of a colossus in the world of quality management. Indeed, the international document company has taken something of a friendly "big brother" approach to other companies and has always been willing to share freely its experience of a decade of quality management.

Ironically, Rank Xerox has almost become a victim of its own success. Since it won yet another prestigious quality award in 1992, the European Quality Award (given for the first time by the European Foundation for Quality Management), the stream of requests for help has threatened to turn into a torrent.

The company, committed to spreading the quality gospel, has been loath to close its doors to outsiders. Instead, it has taken the logical step of launching its own fully-fledged quality consulting business, simply called Xerox Quality Services.

Piloted in 1994 and fully launched at the beginning of this year, Xerox Quality Ser-

The launch is surprising, given Rank Xerox's highly public restructuring and consolidation in its Xerox 2000 initiative

vices is based at Rank Xerox's international headquarters in Marlow (UK). XQS has a complete raft of quality training and support, including consultancy, training and workshops, as well as help and support in implementing quality management. Mainly working with international businesses, XQS consists of a pan-European team with bases in northern and central Europe, fielded mainly by nationals in each respective country. These teams help businesses to craft quality-based strategies and to implement practical quality tools and processes.

Although logical, the launch of XQS is something of a bold step. With the number of quality-based training and consultancy businesses estimated to be as large as 850,000, there is little doubt that the market is intensely competitive.

The launch is even more surprising, given Rank Xerox's highly public restructuring and consolidation in its Xerox 2000 initiative. Against this backcloth, the launch of XQS could seem nothing more than a diversion, even if it has the springboard of Rank Xerox's reputation in quality management.

Brendan Rogers, the newly-appointed general manager of XQS, robustly rejects this interpretation. He declares: "Bringing these services to the market is directly in line with our corporate mission as 'The Document Company', committed to contributing directly to our customers' productivity."

He explains: "Quality management is essentially about managing processes. Most processes are document-intensive. The combination of our worldwide strength in both process management and document management enables us to make a major value-added contribution to our customers."

The launch of XQS comes at a time when the whole quality movement is going through a tough period as recessionary pressures have caused a growing number of disenchanted managers to claim that quality initiatives make little impact on business performance.

Rogers and his team are not deterred by these criticisms and are bullish about prospects in the quality services sector.

He argues that one of the organisation's key advantages is that many of its tools and approaches have gone through the refiner's fire of a living, changing business.

In this testing ground, the only tools to survive are those that make a real impact on the daily performance of employees and ultimately, the business itself.

In order to continue grounding its approaches in the real world of work, XQS regularly uses Rank Xerox managers. "We have the capacity to mobilise internal line managers and specialists – people who are working in the trenches with quality approaches and are dealing with many *similar issues and problems as our clients,"* stresses Rogers.

One client, Britvic Soft Drinks Ltd, believes that this type of hands-on experience across the whole spectrum of an organisation is why XQS "stand out from the pack of quality consultants". Malcolm Holden, director of quality management, declares: "XQS people are committed to the quality process because they know, and are actively involved with, the quality journey of Rank Xerox itself".

XQS has confronted the criticisms levelled at the quality approach head-on by describing its remit as "enabling its clients to improve their business performance through the practical and effective implementation of Total Quality Management".

Rogers asserts: "Quality has not passed its shelf life. Based on the experience of Rank Xerox, we firmly believe that quality can create organisations which are more dynamic, more flexible and able to change, more focused on business priorities and *continuous improvement*".

Britvic's Malcolm Holden agrees. Britvic's current work with XQS is using "quality to drive business results". Holden says: "We are applying quality to everything we do – our methodologies, processes, practices and, most importantly, our behaviours. This holistic approach will help create committed customers and highly motivated employees, thus making a direct and measurable impact on our bottom-line profits".

Only time will tell whether Rank Xerox can demonstrate that quality can be both a powerful tool for change and a successful business in its own right.

Teams seek key to customer loyalty

Price Waterhouse estimates that lost customers cost British industry £100bn every year. And that winning them back would cost another £100bn. But holding on to customers isn't easy. How does Rank Xerox create customer loyalty?

"The first step towards improving customer loyalty is to find out what customers' perceptions are about your organisation. Rank Xerox has put together a network of teams drawn from all parts of the company to focus on satisfying customers and winning their loyalty," says Stephen Cronin, group resources director.

To this end, Rank Xerox carries out several surveys. Twice a year, an external agency records the attitudes of customers and potential customers to the company, compared with its competitors.

Customers are interviewed by telephone and asked about the performance of the company's equipment, its responsiveness as an organisation, the level of service provided by its sales and support staff, and so on. In addition, Rank Xerox conducts several surveys of its own. For example, it surveys every customer who buys one of its products 90 days after delivery. As well as surveying a random sample of customers who have had a service visit, it also carries out qualitative research through focus groups consisting of a cross-section of customers.

The focus groups are asked questions such as: "What factors would make you remain loyal to us as a supplier?"

Martin Fairn, head of customer satisfaction and quality, says: "Our research has shown that the Total Satisfaction Guarantee (Rank Xerox's no-quibble three-year replacement warranty) and reliable equipment is an absolute minimum in terms of customer satisfaction. Satisfaction with the product is not necessarily a driver of loyalty."

Price Waterhouse's recent research into customer loyalty/customer satisfaction says that relationships and the responsiveness of the organisation are key factors for customers to remain loyal.

"What we have found," says Fairn, "is that there is no one thing that creates customer loyalty. We emphasise to all staff that every time they contact a customer they have an opportunity to develop that loyalty."

But trying to create a culture where customer satisfaction is everyone's number one goal involves more than just telling staff that it is a good idea. Staff are given specific customer satisfaction targets, and receive reward and recognition for achieving them. This can add about 5-10 per cent to an employee's salary depending on the job they do.

There is also a recognition programme targeted at people who demonstrate extra care with customers.

Staff can see how close they are to meeting their targets because most of these are measured monthly. For example, the target for resolving customer complaints is that 95 per cent must be resolved within 48 hours.

Fairn says Rank Xerox scores between 94 and 97 per cent in its own surveys and either comes first or joint number one with its leading competitors in the external benchmarking tests.

"It might sound as though the picture is rosy," he says, "but we have much to do to maintain that level. For example, we have set ourselves a target of cutting customer loss rates to below 6 per cent in 1995."

One of the company's loyalty programmes for 1995 has identified a number of customers in the likely-to-change bracket (people likely to replace machines they purchased 3½ to 4½ years ago) and will make a concerted effort to keep them.

"The size of the opportunity is considerable," says Fairn. "If we were to have no customer losses at all, we would generate an extra $50m in annual revenue from sales of equipment and associated services."

Expectations are rising

Building customer loyalty is especially important in a mature market such as that for reprographic equipment where most new purchases are replacement machines and there are plenty of suppliers.

"The challenge in building customer loyalty," says Fairn "is that just when you think you understand it, a new business comes along that sets new standards. It can be in a completely unrelated field like the 24-hour telephone banking services. Why shouldn't customers expect the same standard of service from us?"

"We have noticed that customers' expectations are rising in terms of the levels of responsiveness and care they demand. For the customer loyalty team at Rank Xerox, this means constantly refining the way we measure customer satisfaction and identifying what customers want – and constantly finding new ways of encouraging a company culture that generates customer loyalty.

Research shows that it is five times more expensive to win a new customer than to hold on to an existing one once sales and marketing costs are taken into account. "But you can't hold on to customers without the involvement of everyone in the company, or without those customers wanting to do business with us" says Cronin.

WITH A STRATEGY THAT WORKS

Continued from Page II
fallen within its scope; "market to collection" (the organisation of the sales force, business development); "invoice to collection" (payment systems); the integrated supply chain; and service quality (product maintenance).

Already it has shown results; percentage inventory to revenue has been cut from 15 per cent to 12 per cent, with 10 per cent the eventual target.

"Initially there was some scepticism", admits Fournier, "but people now believe in it, have seen its impact – and now there is a clear vision". A more immediate spur behind last year's improved financial results was the decision to benchmark revenue performance. Under the project, an international working group was set up to identify and analyse those areas of Rank Xerox's marketing operations that consistently produced the highest annual sales growth.

On the back of its research the group was able to draw out a list of 10 key benchmark practices

Its aim was to answer one simple yet nagging question; what was it that made a business unit in a particular country far more successful in selling a certain product than any of its peers?

On the back of its research – an exhaustive process which stripped every part of the marketing function down to its constituent elements – the group was able to draw out a list of 10 key benchmark practices. Once validated, details were circulated to all countries for implementation.

"It used to be impossible to take a process invented in France and put it into the UK – or vice versa. The same could be said of virtually any two countries in which we operated. Today, with a culture based on quality, everyone has the same training and the same understanding. It has helped drastically". Throughout these changes, Rank Xerox has persisted in its belief in the virtues of selling through direct channels. "Wherever possible we prefer to manage that side ourselves", explains Fournier. "Though most of our competitors will make the same technological changes as us, through using indirect channels, they will not be able to make the software changes. They will continue selling hardware".

In some cases, however, the development of new Rank Xerox products that are not suited to direct channels inevitably raises the issue of how to maintain the expected levels of service. "For most of our products we have built the indirect channel through exclusive outlets", says Fournier. "Here, though we cannot have the same service guarantees, we nevertheless have a big influence".

A key part of maintaining that influence has been to either provide staff with the necessary training or use former Rank Xerox employees who already have a firm grasp of the company's culture. The same option, however, is not open in some cases; a new low-end printer, for example, is sold through large electrical retailers. "It's a totally independent channel and so depends much more on the quality of our support". The development of new markets has also brought a gradual shift of culture within the company – in particular, an increasing willingness to bring in staff from elsewhere.

"As we enter new businesses and become more and more involved in systems, we increasingly need people who have a different set of experiences and can bring the expertise that we currently lack. It has the additional effect of challenging the existing staff. They see people coming in with different ideas and different views and that helps. It pushes everybody".

On a wider scale, the prospects for Rank Xerox's major markets in Western Europe appear uniformly good; both the UK and Germany are expected to grow at about 12 per cent this year, the latter having only recently shaken off the effects of recession. Spain and Italy, meanwhile, look set to exceed such levels with impressive growth of between 18 and 20 per cent. The expansion of Rank Xerox's businesses in Eastern Europe; Russia, Poland, Bulgaria, the Czech Republic, Hungary, Romania and the Ukraine is even more impressive, with growth for the current year put at between 30 and 50 per cent – in some cases even higher.

"In the East European markets, the competition is not, as yet, well organised", observes Fournier. "Typically, they depend on the activities of independent dealers rather than that of their own organisation and that gives us an advantage". It has also benefited from a brand name synonymous with the process of copying – indeed, competitors have often found their own products labelled "Xerox" – Canon Xerox, Sharp Xerox – in the belief that such is the generic name.

All of the above has understandably left Fournier with two unshakeable beliefs; in the importance of quality (defined as providing both internal and external customers with innovative ways of working) and the overwhelming case for empowerment. The latter, according to Fournier, is one of the key issues facing management – and, once chosen, is by no means an easy route to take.

"It is sometimes more comfortable for managers and employees to live in a non-empowered world. If you are an employee you receive orders, you carry them out and they work. If they don't work it was not your decision – you're simply an executant. Similarly, for a manager, it avoids discussing, explaining and arguing".

With empowerment, in contrast, a philosophy which allows the individual to contribute to the collective effort to his or her fullest ability, that comfort is rudely removed. "You have to convince people to manage themselves – that they have to make decisions and will not permanently have someone telling them what to do". Again, he stresses, "It needs work".

In this way Rank Xerox has set up self-managed work groups in many of its operations – in services, accountancy and distribution. . It is also currently testing the same principles in its sales operations.

Again, Fournier explains the move with reference to his own experience. "I never pretend to be an expert and be able to answer all questions myself. On the contrary, I always try to build teams with strong people who are closest to the work and who actually know the answers.

"This, of course, is on the clear understanding that the people in these teams do the same as well". Yet if the traditional relationship between Rank Xerox's employees and their managers has changed, so too has that between Rank Xerox and the Xerox Corporation, its majority shareholder. Traditionally, Rank Xerox has followed its parent's lead in most areas – marketing, manufacturing, planning, engineering and design all have their roots in the US. Of late, however, this one-way traffic has started to reverse its flow.

Xerox, for example, has recently adopted Rank Xerox's system of "business excellence certification", the means by which it validates its quality processes. Similarly, since February, it has reorganised its operations in Canada and Latin America into smaller CBUs.

Outsourcing of property and information technology, pioneered by Rank Xerox, has now also been taken up and applied worldwide. And in many of the internal working groups – on the future role of the document, on benchmarking revenue, for example – the lead is taken on this side of the Atlantic.

"By developing a policy of empowerment, of pushing people to initiate and innovate, we are no longer the followers",

Fournier says the upheavals have produced a company that is both adaptive and highly durable

says Fournier. "It has re-energised the whole company. People are not afraid to come up with ideas. They know that we'll listen and, if it makes sense, follow them through."

As to the future, Fournier predicts that the upheavals of the past few years have produced a company that is both adaptive and highly durable. "I think we now have an organisation that is sufficiently flexible to absorb many things – that can accommodate the introduction of new document solutions and relate to each of its different business divisions with limited disruption".

Fast lane of the Superhighway

In its command paper *Creating the Superhighways of the Future: Developing Broadband Communications in the UK* published last year, the UK government called on industry to embrace the opportunity that digital communications can provide by investing in the development of applications.

Since then, the Department of Trade and Industry has taken a lead role in the development of a stable regulatory environment and in setting up working groups to assess the potential of digital working in areas such as health and education.

More than 30m users now "surf" the Internet. The world's fledgling information superhighway boasts connections to everything from the White House to the Vatican and at least five Coke machines in US colleges. But the sophistication of business applications is still low.

While the Internet is a great source of information and electronic mail, true applications which will drive productivity improvements in industry are still at the development stage.

In this environment, current networks are keeping up with demand, but when the full efforts of industry and government begin to bear fruit, the exponential growth in demand for data and video communications will outstrip the technology and infrastructure to provide it.

To cope with this scenario, private and public research organisations, in collaboration with Europe's rapidly liberalising national telecommunications industries, are undertaking wide-ranging projects to build faster and higher-quality communications networks.

An example of this collaborative research is an experimental network, and associated applications, which has been developed between France Telecom, INRIA (l'Institute Nationale de Recherche en Informatique Automatismes) and Rank Xerox Research Centre. The project is called TransRel ATM.

The project uses the latest network technology, called Asynchronous Transfer Mode (ATM) which is capable of transmitting video, audio and data at high speeds.

The ATM network splits data into equal-sized packets and sends them down a fibre-optic cable.

It is significantly faster than existing networks for three reasons. First, the bandwidth of the network is broader than systems such as ISDN, giving ATM more capacity to transmit data. Second, the breaking-up of the data flow into data packets reduces delays and improves response times. Finally, it uses asynchronous technology which gathers together the data packages from various sources and, because they are of equal size, optimises their transmission down the fibre-optic cable.

If a large amount of data is transmitted, the source uses more bandwidth; if smaller, then less. This is significantly different to existing technology where the whole bandwidth is dedicated to one particular transmission, regardless of its size.

The effect of this technology is that more effective transmission relieves the need for the whole network bandwidth to be used, easing pressure on network systems, and providing a significant cost advantage over existing technology.

Next international standard

The TransRel ATM network installed by France Telecom has a measured throughout of up to 13Mbits per second, and a theoretical top speed of 25Mbits per second. Further development should enable ATM networks in the future to run at more than 155 Mbits a second. This compares to the 128Kbits a second available to ISDN users today.

The TransRel ATM project, which was started in July 1994, has used a network which links INRIA's three sites in France – Rocquencourt near Paris, Sophia Antipolis and Grenoble. The network itself is the rationale behind the project, but the three sites have started to develop applications for joint project development, remote expertise and distance learning.

As part of the project, the three locations use the Rank Xerox LiveBoard, a Microsoft Windows-based interactive screen which is the size of a wall-mounted whiteboard, as the main device for voice and video conferencing, and for data transmission. The speed of the network gives TV-quality, delay-free video performance and real-time data interchange across a range of applications, from engineering design software to the humble word processor.

"It will take some time before the ATM networks are fully developed and international standards are agreed", comments Monica Beltrametti, director of business relations at Rank Xerox Research Centre, "but the results of our research provide a real glimpse of what will be possible.

"With the business world moving quickly towards a predominantly digital working environment, it is essential that we do not stick our heads in the sand and accept the capacity of existing networks. Only by active research into new technologies and development of collaborative projects such as TransRel ATM will we be able to conceptualise the applications of tomorrow".

Beltrametti is confident that ATM will become the next international standard for networking. "We belong to the ATM Forum which consists of around 400 of the world's leading computing and telecommunications companies. Through the forum, research results are shared and consensus is reached.

"We are particularly interested in the opportunity for enhanced applications that a high quality, high-speed network could bring to Rank Xerox customers.

"With innovative network-based digital document products and services now available from Rank Xerox, and further significant developments coming to market in the next two years, the pressure is on to provide added value to our customers," says Beltrametti.

"Working on projects such as TransRel ATM with innovation partners such as INRIA and France Telecom, gives us some road signs on how best to use the information superhighway to help customers to improve productivity and develop more effective ways of working".

WASTE NOT, WANT NOT

"The challenge of taking waste and turning it into valuable assets is not so much one of technology, but whether we have the will to change outdated perceptions," says Hugh Smith, Rank Xerox environment manager.

Legislators, pressure groups, shareholders, customers, the media and the community at large all have their part to play.

However, according to Hugh Smith, businesses prepared to seize the initiative will achieve progress more rapidly and will secure long-term viability, with future generations being the ultimate winners.

Long before it became a legal requirement, or just fashionable, to introduce and implement environmental policies, Rank Xerox recognised that care for the environment actually made good business sense.

Back in the 1960s, when concern for the environment extended as far as flower power, Rank Xerox already had in place a recovery and recycling programme for environmentally sensitive components: the decision to provide copiers on a rental basis only meant that the company retained ownership of its products and ensured there was a returns process to recover the equipment when the customer up-graded.

"By the late 1980s, we were beginning to come under pressure from employees and customers to stop discarding what appeared to them to be valuable assets," says Smith.

"Land-fill costs were increasing and the unstoppable tide of public opinion and legislation was clearly rising."

The vision was a closed loop process for the Rank Xerox product lifecycle and the marketing, sales, service, logistics and manufacturing divisions of the company were brought together to develop a solution that would work towards eliminating waste at every link of the supply-and-return chain – and ultimately improve the company's return on assets.

In an unprecedented move within its industry, the Rank Xerox remanufacturing strategy was born. A multi-million-dollar investment at its manufacturing sites at Mitcheldean in the UK, Venray in the Netherlands, and Lille in France, transformed the way the company manufactured and delivered its products.

At each of the three plants, Rank Xerox dismantles equipment and reprocesses reusable components. Plastics, metals, paper and other materials are separated and recycled through industry-wide processes. About 45 per cent of end-of-life machines are currently being returned to

The reclaimed toner is recycled and used as fuel in cement kilns, and as pigment to colour road surfaces and shoe polish

the plants for recovery. Even competitors' machines, when replaced by Xerox, are taken back as part of the contract, dismantled and recycled.

Many uses have been found for reclaimed toner, such as pigment to colour road surfaces, black plastic bags and shoe polish, although much of it is used as fuel in cement kilns.

As more customers join support for the process, the percentage of machines recovered is likely to increase. At Venray alone, more than 750 tonnes of plastic are recycled each year and the site currently recycles 75 per cent of its own waste at a saving of $1.2m a year.

As well as reprocessing machine parts at its manufacturing sites, Rank Xerox remanufactures machines.

The assembly of remanufactured products takes place on the same production lines as those of newly-manufactured products. In 1994, when more than one million machine parts were reprocessed by Rank Xerox, the increase in asset utilisation resulting from the remanufacturing strategy led to a reduction in purchase of raw materials in excess of $50m.

With the award of ISO 9002 to the Venray asset recovery operation, and the "no-quibble" three-year Total Satisfaction Guarantee which applies to both newly-built and remanufactured products, Hugh Smith is quick to point out that concern for the environment is not at the expense of quality.

"Our asset recovery operation is living proof that there is no contradiction between the environment and product performance," he comments. "We have established that technologies exist to make the environment affordable."

While its asset recovery operation continues to gain momentum – and attract interest from the manufacturing industry – Rank Xerox remains wholly committed to environmental protection and the philosophy of sustainable development.

During the past 30 years, the company has recorded a catalogue of achievements in making every aspect of its operations environmentally friendly. Its "3-R" policy, to reduce, re-use and recycle, touches every part of the organisation.

Environment: more about changing perceptions than technology

Examples include a returnable pallet scheme which conserves timber resources; this represents an annual saving of £150,000; an energy management programme at the Mitcheldean site which reduced energy levels by 62 per cent; and the use of Corrupad as a packaging material which has saved the company more than £2m since it was introduced.

Because it is likely that environmental considerations will increasingly influence purchasing decisions for document management products and services, businesses who market products under a green label must do so at more than just a superficial level.

Hugh Smith says: "Environmental concern is not a marketing ruse. It's a philosophy. The next generation will be even more environmentally conscious than we are and will demand a responsible attitude towards the environment; not only in the products that they buy, but also from the manufacturers who supply them".

FORWARD LOOK

Perfect copies without leaving your desk

On average, users get up from their desks 15 times a day to make photocopies, send faxes or collect information they have printed out, according to research carried out by Rank Xerox. This could become a thing of the past if they use a combined digital copier, fax and printer for local-area networks (Lans).

This multi-function machine, called the Xerox Document Server, enables PC users to send faxes or produce finished documents to their exact specifications, including (if required) stapling, collating and multiple copies.

The server can also be used to copy paper originals. Alternatively, paper documents can be scanned into the system, digitised and combined with computer-based information to produce a single report.

This is possible because unlike a traditional (light-lens) copier, where light passes over a page and produces an analogue copy of it, a digital copier scans the document all in one go and digitises it so that it is stored in the same form as computer-based text.

Multi-functional machine designed to plug into PC

This month, Rank Xerox introduces a combined plain-paper fax, printer and copier for the desk-top. The machine is based on inkjet printing technology and will cost £1,139 plus £149 for a connectivity kit which allows the product to be linked to a PC.

The 3006, designed to plug into a personal computer, is likely to appeal to the SoHo (Small office-Home office) market where desk space is at a premium – and to executive secretaries wanting to fax or print confidential information without a lot of gadgets cluttering up their desks.

Flat screens with better readability

Xerox's Palo Alto Research Centre (PARC) in California has achieved a breakthrough in flat-screen technology. PARC has demonstrated a 13-inch diagonal flat-panel active-matrix liquid crystal display (AMLCD) with record-setting resolution of almost 300 dots per inch.

Such resolution makes the display very paper-like, providing superior image quality comparable to laser-printed output.

The company has also been awarded a US government contract of $50m to establish US-based production for AMLCDs. Announcing the award, the US government said that US-based AMLCD manufacturing capability was critical, not only for America's strategic preparedness (in defence terms), but also for the company's economic well-being.

Desktop laser printer will print complete cheques

Rank Xerox has launched the UK's first desk-top MICR (Magnetic Ink Character Recognition) laser printer – the Xerox 4197 MICR. This is capable of printing complete cheques (including MICR security symbols) and negotiable documents (such as bonds, warrants, stocks and shares).

The Xerox 4197 is the first desk-top printer to conform to stringent European banking standards and gain APACS approval. It will enable banks, building societies, insurers, government departments and others to print secure documentation on a regional or branch level, at the point of need.

This will help to reduce their exposure to fraud because fewer documents will need to be transported or stored.

Cost of colour printing is coming down

The cost of colour printing is coming down. The prices of Rank Xerox colour and mono laser printers have been reduced by as much as 18 per cent. The price cuts include the Xerox 4500 series of five-, 10- and 20-page-per-minute mono models for the networked office and the Xerox 4900 colour laser printer.

Prices for the mono lasers now range from £1,179 to £3,699. The Xerox 4900 colour laser printer is £7,495. The cost of kits to connect these printers to networks has also fallen – by as much as 48 per cent.

Colour printing is gaining popularity as companies realise that colour can be used to make their sales literature, documentation and bills clearer and more persuasive.

Facilities management with a difference

CBX, a former division of Rank Xerox, is taking a fresh approach to facilities management. Instead of simply providing essential services, such as building maintenance, it offers management consultancy in improving the working environment.

Its philosophy is that improving the quality of the environment can improve productivity. CBX, which still manages Rank Xerox's buildings, has more than 40 specialists who apply new thinking in management and technology to workplace issues.

Colour brings projects to life

Merz and McLellan, one of the leading consulting engineers in Britain, has to deal with stiff competition *throughout the world for engineering contracts.*

The chance to tender for new business comes from a combination of identifying and qualifying the opportunities, together with a long-established reputation for the quality of their work.

Founded almost 100 years ago with headquarters in Newcastle upon Tyne, Merz and McLellan has five regional offices in the UK and is represented in more than 30 countries worldwide. The company has always preached the ethic of quality and this is not only reflected in the way they handle clients' contracts, but in the way they present their capabilities and professional expertise using state-of-the-art document presentation techniques.

The latest acquisition is a Xerox MajestiK digital colour copier. The difference between tender documents and publicity material of the past, which were text-only, to those produced today, which include photographs of client sites in full colour, is significant.

Of course, these are no ordinary sites. Specialising in the power industry, many are in exotic locations with visually exciting backdrops of clear blue skies, palm trees and wonderful sunsets. But there is no doubt, as a news update on recent projects proves, that adding colour brings what could be an otherwise dull subject to life.

Merz and McLellan are currently working for government departments as well as large industrial and commercial organisations in more than 40 countries. Among prestigious projects recently awarded to them are a £1.5m quality assurance service contract for Hong Kong's first natural gas-fired power plant; a £1.1m three-year contract for work on two new gas turbine power stations in Syria, and a seven-year contract worth £17.5m in fees for Kuwait's Ministry of Electricity and Water.

Work is also underway on a four-year contract with London Underground to provide quality assurance and audit services for the infrastructure and rolling stock required for the 10-mile Jubilee Line extension.

Over the past years, it has been the responsibility of Maureen Horsburgh, as manager of office services, to ensure that the engineers can rely on high quality support services and that includes reprographics equipment.

Rank Xerox has been the preferred supplier for at least 25 years and the machines installed include high-volume copiers in the central print area, mid-volume copiers in remote sites and low-volume copiers located throughout the head office building for general day-to-day copying.

Colour: bringing dull subjects to life

But pride of place at the moment is clearly given to MajestiK because it is the machine which enables Merz and McLellan to keep one step ahead of its competitors when it comes to client documentation.

Maureen explains: "Documents consist of a variety of shapes, sizes and materials, so machine versatility was the key. But it was the colour quality that really made the Xerox machine stand out from the rest.

"We had thought of purchasing a colour copier some time ago, but found we were not really quite ready for it. But about a year ago, we thought the time was right if we were going to stay ahead of our competitors. We always needed colour to enhance our documents; but had used outside contractors until then. We felt having a colour facility in-house would allow colour to play a much bigger role in our documents."

When the MajestiK was first installed its use was fairly limited for the first few weeks. However, once the use of colour began to increase and the engineers realised you can put a variety of documents through the machine, from simple A4 or A3 sheets to folded plans, coloured diagrams and colour photographs, its use has increased.

"Now, we rarely send out any documents without some form of colour on the front or inside to make an impact. When you are producing documents that could be anything up to two inches thick, you don't want to bore everyone. Colour retains their interest."

The investment is obviously proving to be a good one: "It is saving us both time and money. We are not spending so much money with outside printers and we can turn work around much more quickly. In the past, we sometimes tended to be put off incorporating colour because of the time element. If you want a document produced, you want it out of the door quickly. You don't have time to run along to the local copy shop."

One of the main benefits is that colour output from the CAD machine can be taken straight to the central print room and copies run off the MajestiK. The throughput represents quite a heavy workload, but the reliability of the machine means that downtime is kept to an absolute minimum.

As a manager in charge of support services, Maureen Horsburgh nevertheless has to be realistic. As with any machinery, the copiers do need regular maintenance to prevent breakdowns bringing the whole document production process to a halt.

A reliable service operation is crucial: "I have been here 25 years and we have always used Xerox equipment. Problems will occur from time to time, and this can cause serious problems since we now take in-house colour for granted. So you need to know *that* Rank Xerox are going to provide us with a quick and efficient service. We have found their machines and their service the most reliable."

Maureen is particularly impressed with the contract terms: "When you enter into an agreement on a contractual basis, you sign for the terms you think you will require. *But it* is not cast in stone. We can always change or up-grade our equipment whenever we need to. In fact, we have done just that.

"When new models have been introduced, we have sometimes decided we would benefit from the more advanced technology."

Asked to encapsulate the relationship between Merz and McLellan and Rank Xerox as its preferred supplier of reprographics equipment, Maureen Horsburgh has no hesitation in saying: "We trust Rank Xerox and they provide us with high quality equipment and *support. But if* for any reason there is a problem, they will make sure it is sorted out as quickly as possible. We depend on this level of response. It takes the heat out of the working day."

REAPING REWARDS IN RUSSIA

There are plenty of reasons for not investing in Russia. They include the fragility of its economy, political uncertainty, weak banking and legal *systems and the practical problems of con*ducting business in a country that spans 11 time zones and covers 17m square kilometres.

Beyond these immediate difficulties, however, is the foundation of a real market economy of 149m new consumers. There are already a million new small businesses in Russia. Private companies now employ more than 70 per cent of Russian industrial workers. Forty million Russians own shares.

In 1989, Rank Xerox (which in Russia trades as Xerox) was one of the first Western companies to identify and invest in the potential of the Russian market. As a result, Xerox is today the dominant supplier of office equipment in Russia and the CIS.

Xerox had been in Russia, operating through a foreign trade organisation, since 1956, but the post-1989 economic reforms required a whole new approach. The key to operating in Russia is the right organisation and infrastructure. For Xerox, this meant not just a head office in Moscow but a regional office network to cover this vast country.

Today, Xerox has offices in Novosibirsk, centre of the high-tech industries of Siberia; Ekaterinburg, to service the heavy industries of the Urals, Vladivostok in Far Eastern Russia and St Petersburg in Western European Russia.

In addition, Xerox set up in the oil and gas belt of the central Asian republics with offices in Tashkent in Uzbekistan and Almaty in Kazakhstan. And in 1991, Xerox purchased all remaining shares in its joint venture service organisation in Moscow, making this a wholly-owned company.

Nationwide dealer network

In a country so big, it would be impossible to sell directly to every customer; the only way to cover the market is through a nationwide network of dealers, qualified to sell and support Xerox products.

Building this network required an extensive set of support services. For example, dealers needed training not only in Xerox products and how to service them, but in fundamental business skills such as planning and forecasting, financial management, marketing and customer-handling techniques.

Xerox also set up bonded warehouses across the country to shorten the supply chain – a real innovation at that time. Dealers were supplied with point-of-sale material and promotional packages to brand themselves as Xerox.

Today, there are more than 250 authorised dealers across the country, together employing some 5,000 people.

Bob Agee, country manager for Xerox in Russia, comments: "Indirectly, we are helping to create local employment and build the small business sector of the Russian economy. At the same time, through our dealer training programmes, we are effecting a true transfer of business skills to these new enterprises."

The biggest investment Xerox has made in Russia is in the recruitment and training of local people. Like many incoming companies, Xerox found an extraordinary pool of talent in Russia – a highly numerate people with proven talent in languages, engineering and computing. However, local people with commercial management experience were rare.

To meet the need for training, Xerox set up its own training school in Moscow. The curriculum included training in Xerox quality management, products and services as well as core management and financial skills. Today, this training school also delivers multilingual tuition to Xerox employees and dealers from across central and eastern Europe.

Because of its long trading association with the Soviet Union, the Xerox brand was relatively well known in Russia. However, in order to secure its position as market leader, Xerox was translated and registered as a trademark in the Cyrillic alphabet – an essential step for any company trading outside the main cities in Russia. Any visitor to Moscow will surely notice a prominent rotating poster site next to the main entrance to the Kremlin – advertising the Xerox brand.

Despite a limited installed base during the communist years, Xerox has an outstanding reputation for reliability with Russian customers. How? Because when office equipment was in restricted supply, reliability – and maintainability – was critical. The ultimate example is perhaps at the huge Kamaz truck plant – one of the largest factories in the world – where a Xerox 914, first introduced in 1959, is still in operation.

Today's Russian customer is just as demanding, if not more so, as the average European or American business buyer. The new Russian business has no legacy of installed office equipment and wants to go straight to the newest technologies.

For example, in 1993 Xerox launched the DocuTech and DocuPrint high-volume printing and publishing systems, costing about £250,000 each. Xerox Russia has had a steady stream of orders from institutional and commercial customers for this advanced document technology.

Russian investment pays off

Russia is now one of the biggest and fastest-growing markets for personal copiers in the world, matching the growth of the small business sector.

Xerox is also launching its desktop laser printers into Russia, through a new network of specialist PC dealers.

An important new initiative is to expand, through Russian franchisees, the Xerox Copy Centre Programme. The immediate target is to set up at least 50 new copy centres by the end of 1995.

However, as Bob Agee points out: "This is just scratching the surface. To get an idea of the potential for this market, just think of the number of copy centres you would find in the average European town and add to this the huge pent-up demand in Russia for document technology".

Xerox expects to see 5,000 Xerox Copy Centres operational across Russia by the end of the century.

The Xerox investment in Russia is paying off. In the past four years, Xerox revenues in Russia have increased sevenfold – and at time when Russian gross domestic product has declined.

Reliable market information in Russia is still hard to come by, but Xerox estimates that its share of the copier market is probably around 40 per cent, varying from region to region. It is certainly the market leader.

Bob Agee remains confident about future prospects: "I believe the Russian economy has essentially passed through the worst and would expect to see growth in 1996-97.

"When this occurs, we will experience even more demand for document products and services.

"Thanks to early investment, we now have a very significant organisation and infrastructure in Russia. That, combined with the strength of the Xerox brand name and our continued commitment to training, will provide the basis for maintaining our number one position in this exciting market."

Satellite TV row reveals Canada's dilemma

By Bernard Simon in Toronto

The future role of Canada's telecommunications and broadcast regulator is likely to come under increasing scrutiny in the wake of a landmark decision by the federal government to encourage competition in satellite television services.

The government on Wednesday overruled a decision by the Canadian Radio-television and Telecommunications Commission (CRTC) to grant a satellite television monopoly to Expressvu, whose shareholders include BCE, the Montreal-based group which is already the dominant force in domestic telecommunications.

The new policy opens the way for a competitive service operated by Power DirecTV, a joint venture between Power Corp, the Montreal-based conglomerate, and Hughes, the US electronics group.

Canada currently has one of the world's highest penetrations of cable television. But the satellite-to-home operators are expected to offer stiff competition with services which provide up to 100 television channels through a pizza-sized satellite dish.

The satellite television decision is the latest in a series of clashes between the government and the CRTC over how to adapt to rapid changes in technology and regulation. Earlier this year, Ottawa overruled several recommendations by the CRTC to redress the present imbalance between telephone rates.

The tension stems partly from the growing influence of Mr John Manley, the industry minister. But Mr Manley's interest has gone little further than prising open markets to greater competition. An official at one company closely involved with the CRTC said yesterday that the commission "has tried to develop policy on the run" without any clear direction from the government."

Most players recognise that the barriers between entertainment, broadcasting and telecommunications are crumbling. But there is widespread concern that Canadian suppliers will wilt under any assault by powerful US media and telecommunications companies, many of which are seeking entry to the hitherto-protected Canadian market.

The satellite television controversy has been heightened by the fact that Power DirecTV's parent company has close links to the ruling Liberal party. The president of Power Broadcasting is the son-in-law of Mr Jean Chrétien, the prime minister. Mr Chrétien insisted that he played no part in cabinet discussions on the issue.

Gingrich: sought to prepare way for balanced budget Reuter

US budget proposals hit by more delays

By George Graham in Washington

Congress has already missed the legal deadline for passing its budget plan by two weeks, but more delays appear to be in store as the Republican majority wrestles over the harsh spending cuts that will be needed to move towards a balanced budget.

Senator Pete Domenici, the chairman of the Senate budget committee, had to postpone for 10 days a meeting scheduled for yesterday to start discussing a budget resolution, which sets the outlines of spending for the fiscal years starting on October 1. US law requires that resolution to be passed by April 15.

Although the Senate earlier this year defeated a proposed constitutional amendment that would have required the government to balance its budget, the target set in that amendment of eliminating the federal deficit by 2002 has now become a central element in the budget debate.

In the House of Representatives, Speaker Newt Gingrich has said that only budget resolutions which spell out a path to balance in 2002 will be allowed to reach the House floor for consideration. Mr Domenici's plan, too, aims to eliminate the deficit by then.

Some of the more radical first-term members of Congress, meanwhile, aim to propose a plan that would balance the budget in just four years and start paying down the national debt from the year 2000. According to one congressional staffer, they do not particularly expect their plan to win, but want "to set a right marker" to ensure that the 2002 target does not end up being bargained away in a budget compromise.

The mathematics of reaching balance by 2002 are hard enough. If no changes are made, the cumulative budget deficit between now and then is expected by the Congressional Budget Office (CBO) to total $1,900bn.

Many Republicans want to set the bar even higher by cutting taxes; the tax cuts bill passed last month by the House would widen the deficit by an estimated $350bn between 1996 and 2002.

Discretionary spending, for which Congress must appropriate specific sums year by year, totals $533bn this year – almost half of it on defence. This includes items such as foreign aid and transport subsidies, which are popular targets for budget cutters. But a report submitted this week to the Senate budget committee by the Senate appropriations committee, which has jurisdiction over these spending programmes, warned that even a freeze on costs would have severe consequences.

It might, the appropriations committee said, increase the backlog of cases in federal courts and lead to more charges being dismissed. It might also force the Veterans Administration to close at least 30 hospitals.

The politics of cutting mandatory spending are even more difficult.

Mandatory spending covers a variety of benefit programmes to which people are entitled if they fit certain criteria, including the widely popular Social Security pensions and Medicare health insurance for the elderly, as well as means-tested social welfare.

Entitlement spending is not subject to annual appropriations of money by Congress, but grows each year in line with inflation and the growth in the qualified population.

But Mr Domenici plans to include enforceable cash limits on entitlements in his budget resolution.

Lake fires broadside at isolationists

By Nancy Dunne in Washington

Lake: tough words

Mr Anthony Lake, US national security adviser, yesterday launched a broadside against "new isolationists from both the left and right" who propose unilaterally to disarm the US of the programmes it has used to maintain world leadership in the past 50 years.

In uncharacteristically tough language for the Clinton White House, Mr Lake warned that US policies of engagement in world affairs are "under siege and American leadership is in peril."

He warned specifically of threats to US foreign aid programmes, participation in peacekeeping, and the battles against terrorism and drug trafficking.

The new isolationists, he said, believe the US can cut itself off from danger "even though some of the new threats facing us, like nuclear proliferation, terrorism, rapid population growth, and environmental degradation know no boundaries".

"These self-proclaimed devotees of democracy would deny aid to struggling democracies," he said. "They laud American leadership, but oppose American leadership of coalitions, advocating only unilateral action instead."

The speech was carefully non-partisan. Mr Lake even quoted Mr Newt Gingrich, the Republican House speaker, who himself recently warned that an American retreat could result in "a dark bloody planet."

Mr Lake noted the unpopularity of foreign aid among US voters – until it was pointed out to them how small a proportion of the budget foreign policy programmes comprised.

The $21bn spent on foreign policy out of a $1,600bn budget is "not the budget-buster that neo-isolationists pretend".

"They would also be surprised to learn that others recognise the reality of necessary resources far better than we," he said. "The richest, most powerful nation on Earth – the United States – ranks dead last among 25 industrialised nations in the percentage of GNP devoted to aid."

Because of budget cuts in the past few years the US has not even been able to make "modest contributions" to programmes that need US support. It has not found "the small sum needed" to support peacekeepers in Liberia or the funds to pay UN human rights monitors in Rwanda. It can barely meet its obligations towards maintaining sanctions against Serbia.

He warned that a neo-isolationist budget could undercut US efforts to support democracy in Russia and its former satellites, even the funding to reduce nuclear arsenals in the former Soviet Union. It could undercut US employment of thousands of weapons scientists in the former Soviet Union on civilian research projects, which "helps keep them off the nuclear labour market".

He said the "backdoor isolationists" who want to cut off support to the multinational development banks "cannot see beyond the green of their own eyeshades".

"This is no way to follow the heroic achievements of the Cold War," he said. "And I can't imagine that this fits any American's vision of world leadership."

Successful placement clears way for funds to recapitalise and reform banking sector

Argentina to receive $1bn from bond

By David Pilling in Buenos Aires

Argentina will receive $1bn on May 3 after the successful international placement of a "patriotic" bond, final documents for which were signed yesterday with Citibank, the global co-ordinator.

In a letter to Mr Domingo Cavallo, Argentina's economy minister, Mr William Rhodes, vice-president of Citibank, said he trusted that "the prompt and opportune reply of the international financial community that participated in the operation will contribute to the continuity of Argentina's economic and financial programme".

The bond, which carries a coupon of 3 percentage points over Libor, was sold to US and European banks at a considerably lower rate than Argentine debt paper currently on the market. One US banker said that those institutions subscribing "were making a political statement in support of Argentina rather than a purely commercial operation".

The $1bn will go towards the establishment of a fund aimed at recapitalising and restructuring the private banking sector, which has been hit hard by a credit squeeze since Mexico's devaluation in December. Eight banks suffering from severe liquidity problems have already been suspended while many banks have merged.

Officials at the economy ministry said they were hopeful that the Basle-based Bank of International Settlements would as early as next week approve a $1bn bridging loan for Argentina.

The bridging facility, which would be made on the basis of loans already agreed with the World Bank and Inter-American Development Bank, would be used to help privatise state-owned banks. Money from the World Bank and IADB will not arrive before June, and is unlikely to be disbursed in a single tranche.

● Mr José Octavio Bordón, presidential candidate for Argentina's centre-left Frepaso coalition, yesterday moved to increase pressure on President Carlos Menem by demanding adjustments to the timetable for presidential elections, the first round of which will be held on May 14.

Mr Bordón, who according to opinion polls is Mr Menem's closest challenger for the presidency, asked the president to bring forward the date of the second-round between the top two candidates to no more than 14 days of the first election. The second round is scheduled for June 6, nearly a month after the first vote.

Most polls have shown Mr Menem winning outright victory on May 14, though many have Mr Bordón within a few percentage points of forcing a run-off. In order to win outright, Mr Menem needs to poll 45 per cent of the vote or more than 40 per cent with a 10-point margin over the second-placed candidate.

Mr Bordón's tactics appear aimed primarily at planting in the public's mind the possibility of his gaining enough votes for a run-off election. Until recently, at least, most people had assumed an easy victory for Mr Menem.

AMERICAN NEWS DIGEST

Venezuelan law on forex control

A joint session of the Venezuelan Congress has approved a strict new law giving the executive branch unprecedented powers governing foreign exchange transactions.

The law allows the president to order the establishment of foreign exchange controls and any other associated regulations without the consent of the central bank. Previously, any big decisions concerning forex activities were agreed upon jointly by the central bank and the executive.

The new law also establishes harsh penalties for violations of forex regulations, including jail terms. The government of President Rafael Caldera ordered controls on all forex activities in June of last year.

The foreign exchange law is part of a package of four bills which were introduced into Congress by the Caldera administration last year.

Three measures, covering insurance reform, consumer protection and foreign exchange controls, have already been approved, but a bill dealing with "emergency situations" in the financial system is still in committee.

The government has said that several constitutional rights covering civil and economic affairs that were suspended last year will not be restored until the four laws are approved. In essence, these laws greatly increase the power of Venezuela's presidency in their respective areas. *Joseph Mann, Caracas.*

UPS files first Nafta complaint

A complaint by United Parcel Service that Mexico has failed to accord the US company equal treatment has become the first US trade case submitted to the formal dispute settlement mechanism of the North American Free Trade Agreement.

UPS says that under Nafta, US express delivery companies were promised the right to use larger vehicles to move packages. Its officials say that Mexico has not only failed to live up to this commitment but it has attempted over the past year further to limit competition.

US companies are faced with pending regulations requiring them to divest services they were able to offer before Nafta. Widespread exemptions have been offered to Mexican carriers, UPS said. *Nancy Dunne, Washington.*

Cuba optimistic on tourism

Cuba, counting on tourism as a main future source of foreign exchange, expects the number of visitors it receives to treble by the year 2000, officials say.

The deputy tourism minister, Mr Eduardo Rodriguez de la Vega, said the figure could surge from an expected 810,000 visitors this year to 2.5m within five years. He spoke to foreign diplomats and journalists during a trip on Wednesday to the newly developing tourist area of Cayo Coco, a small island off the north-central province of Ciego de Avila that is part of the government's development plan for tourism.

The communist-ruled island, hard pressed for foreign exchange, last year received 620,000 visitors, a 14 per cent increase over 1993. The increase was less than the authorities had hoped for following the crisis last August and September, when some 35,000 Cubans set out to sea in rafts towards Florida. *Reuter, Havana.*

Andean pact to issue passport

The Andean Pact will introduce a type of regional passport for the citizens of member countries by the end of this year. The "Andean Migration Card" is to facilitate the free flow of people between Venezuela, Colombia, Ecuador, Peru and Bolivia. It will unify the diverse formats of each country's own identity card. The measure was adopted earlier this month by the Committee of Andean Authorities on Migration. *Raymond Colitt, Quito.*

Mexico acts on welfare crisis

By Leslie Crawford in Mexico City

Mexico's government, unions and employers will begin talks soon aimed at tackling a looming crisis in the state-run health and social security system.

However, President Ernesto Zedillo's government has no plans to privatise the system, despite increasing difficulties in providing adequate healthcare or pensions to its 9m affiliates and their dependants, Mr Santiago Oñate, the labour minister, said.

The problems of the social security institute, IMSS, include:

● The heavy burden of contributions, which adds 38.5 per cent to a company's wage bill, and deducts 32 per cent from an employee's salary. The government's share is 29.5 per cent of a company's wage bill. Mr Oñate admits these heavy non-wage costs are a significant deterrent to new investments, and job creation in Mexico.

● Mexico's population is ageing, and the number of pensioners will grow at more than twice the rate of young people entering the workforce.

● More than half of Mexico's population, namely peasants, domestic workers and the self-employed, are not covered by the social security system.

● The IMSS bureaucracy employs 340,000 people with a 46bn peso ($7.6bn) budget that dwarfs that of the state oil monopoly Pemex, but its services have lagged behind growing demand.

Mr Oñate said the immediate challenge was how to extend coverage to a greater percentage of Mexico's 90m inhabitants without increasing the burden of contributions on companies or employees.

The privatisation of the social security system was not under discussion, he said. Critics have suggested Mexico should privatise its pension funds along the lines adopted by Chile in 1980, which contributed to the rapid growth of domestic savings and the development of Chile's capital markets. Mexico's low rate of domestic savings is regarded by many as being the Achilles' heel of the economy.

Dispute with US regulator triggers reform

By Ralph Atkins, Insurance Correspondent in London

Lloyd's of London is preparing to reorganise the finances of its US business after pressure from insurance regulators. But Lloyd's is still trying to soften the impact of some of the changes being imposed because it fears they could bring competitive disadvantages. If a dispute with the New York Insurance Department about the contents of a report on Lloyd's US operations is not resolved soon, it could lead to damaging public hearings and even restrictions on Lloyd's business in the US. The report is about that business.

Under the reorganisation, Lloyd's would split its American trust funds, which were set up in 1939 to protect US policyholders if Germany invaded Britain. Separate funds would be established to support reinsurance business and "surplus lines" business by which Lloyd's provides cover where local capacity is insufficient. Other non-US but dollar-denominated business would no longer use trust funds held in the US.

LLOYD'S
LLOYD'S OF LONDON

The aim would be to give US regulators a clearer idea the ability of Lloyd's to meet claims on policies sold in the US. But Lloyd's fears that proposed rules for operation of the funds would disadvantage it against conventional insurers who do not rely on thousands of individual sole traders for finance.

An alternative being actively considered is setting up new limited liability companies dedicated to underwriting US business.

Lloyd's signalled that it would seek to head off a confrontation with the New York regulators. An official said: "What we are absolutely committed to is a continuation of our business in the US."

Details of Lloyd's US plans emerged as a warning was given that cashflow problems could force the insurance market into raising £600m ($972m) from a levy on Names who are still underwriting – and possibly also a loan from the Bank of England. Names are individuals whose assets have traditionally supported Lloyd's. Chatset, the Lloyd's analyst in London, released a report predicting that cash calls on Names would total £1.5bn this year. But difficulties in collecting the money would force Lloyd's into finding alternative sources of finance, it said.

Its claims were swiftly rebutted by Mr David Rowland, Lloyd's chairman. He said: "Lloyd's is not in discussion with the Bank of England about any 'rescue package', nor do I foresee the need for any such talks." A spokesman added there were no plans for a levy either.

Earlier this week, Lloyd's announced a tougher approach towards collection money from Names, including the threat of legal action.

Chatset expects Lloyd's to announce a total loss of about £1.5bn for the 1992 account, details of which will be published next month under the market's three-year accounting system. Some £1.2bn of the loss is accounted for by losses on previous year's accounts which were not closed. Chatset said that the flood of US "latent liability" claims – largely caused by asbestosis and pollution – "is not drying up".

Price-fixing is suspected in electrical goods

By Neil Buckley and Andrew Baxter in London

The Monopolies and Mergers Commission is to investigate allegations of price-fixing in the electrical goods market after complaints from cut-price retailers that manufacturers were refusing to supply them.

The Office of Fair Trading, the government's competition watchdog, has referred to the commission complaints about eight categories of goods including televisions, videos, hi-fi systems, camcorders, washing machines, driers, dishwashers and refrigerators.

All manufacturers supplying more than 3 per cent of any of these markets will be included in the commission's investigations including well known names such as Sony, Philips, Electrolux, Hoover and Toshiba, making it one of the broadest inquiries of its type. However, many manufacturers and retailers yesterday denied price-fixing, saying the electrical goods trade was one of the most competitive consumer markets.

The Office of Fair Trading said it first received complaints in summer 1993 from retailers about manufacturers refusing to supply them if they attempted to sell products at below the maker's recommended price. The MMC references had been prompted particularly by complaints from US-style warehouse clubs which have had limited success in Britain since opening in 1993.

Sir Bryan Carsberg, director-general of fair trading, said: "Our information indicates that some manufacturers, accounting for well over 25 per cent of the supply of the specified goods in the UK, have been engaging in practices designed to sustain retail price levels."

US-owned Costco, which has two warehouse clubs in Britain, said it had been talking to the fair trading office for some time.

Stagecoach, Britain's largest bus company, was yesterday ordered to sell its 20 per cent stake in rival operator SB Holdings of Glasgow in Scotland, our Transport Correspondent writes. It was Stagecoach's second rebuff by competition authorities in less than two months. Mr Jonathan Evans, corporate affairs minister, said the shareholding, acquired by Stagecoach in December, had reduced competition for bus passengers in the Glasgow area and was against the public interest.

Papers bought with lottery money 'did not already belong to nation'

PM defends Churchill purchase

THE NATIONAL LOTTERY

Mr John Major, the UK prime minister, yesterday tried to head off a dispute over the purchase of Sir Winston Churchill's archive of papers with money raised in the National Lottery, James Blitz and John Kampfner write from Westminster. He argued that the documents which had been bought were of a personal nature.

Mr Major said in the House of Commons that money had been spent on documents from Sir Winston's personal archive, which could have been sold on the private market.

Mr Major argued that the government had bought them for a fair price. "There is no question whatever of lottery money having been used to purchase papers that are the property of the state," he insisted. "What in fact was purchased was the personal papers of Sir Winston; that could have been freely sold to any number of buyers."

A proportion of the growing sum spent on the National Lottery each week goes towards a variety of "good causes" including the safeguarding of "heritage" items.

Mr Ian Montrose, one of the trustees of the Churchill Archive settlement, said last night that the documents, which consist of all Sir Winston's archives up to 1945, were very varied.

"There is not one box which contains Churchill's private papers, or his constituency papers or any other," he said. "Everything is woven together in a kind of impossible tapestry and one could no more separate out the cabinet papers without breaking the integrity of the archives."

However, in a statement last night, the National Heritage Memorial Fund made clear that it did not feel it had incurred any cost towards the state papers. "The archive will be purchased for less than the figure which our expert valuers put on the personal constituency and literary papers whose ownership is not in dispute," the fund said. "There will therefore be no cost attributable towards the purchase price."

Over the last two years, Sir Nicholas Lyell, the attorney-general, has waged a campaign in the courts to have the state papers in the Churchill archive classified as public property.

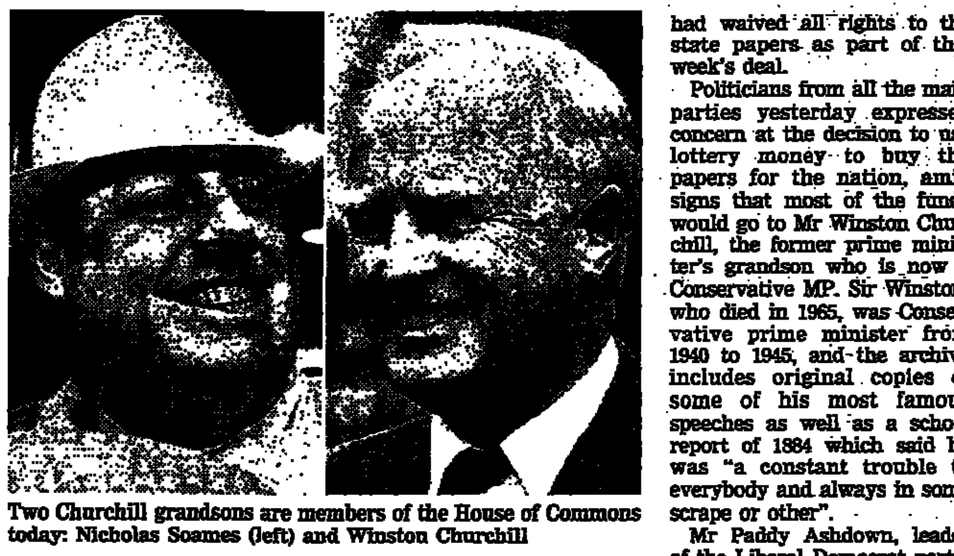
Throughout that period the Churchill archive settlement argued that Sir Winston had issued a memorandum in May 1945 permitting ministers in the war cabinet to take away papers they had created.

However, the National Heritage Department said yesterday that the Churchill family had waived all rights to the state papers as part of this week's deal.

Politicians from all the main parties yesterday expressed concern at the decision to use lottery money to buy the papers for the nation, amid signs that most of the funds would go to Mr Winston Churchill, the former prime minister's grandson who is now a Conservative MP. Sir Winston, who died in 1965, was Conservative prime minister from 1940 to 1945, and the archive includes original copies of some of his most famous speeches as well as a school report of 1884 which said he was "a constant trouble to everybody and always in some scrape or other".

Mr Paddy Ashdown, leader of the Liberal Democrat party, asked whether Sir Winston would be "turning in his grave" if he knew how much public money was being spent on his state papers while investment in children and education was being "cut to ribbons".

Mr David Mellor, the former heritage secretary, was one of a number of Conservative MPs worried about the decision. He said in a television interview: "A lot of people will feel lottery money should not go to the Churchill family and will regret that these archives were not made available to the nation in the way that previous archives have, without private payment."



Two Churchill grandsons are members of the House of Commons today: Nicholas Soames (left) and Winston Churchill

Concession on EU compliance is given to banks

By John Gapper, Banking Editor

The Bank of England, the UK central bank, is to allow some UK-incorporated banks to make limited use of internal trading models to assess how much capital they need for trading under the European Capital Adequacy Directive (CAD).

The central bank disclosed yesterday that some large banks will be allowed to use their models to make daily checks on the amount of capital needed for securities and foreign exchange trading to reduce the costs of complying with the CAD.

The move follows the proposal by the Basle committee of bank supervisors from the G10 industrialised countries to allow larger banks to use internal models to calculate how much capital they need to cover trading risks.

European banks have protested that there are unnecessary costs in complying with the CAD's "building block" approach to capital adequacy. They want instead to be able to use internal "value at risk" models to calculate capital.

The CAD, which is eventually likely to be amended to comply with the Basle approach, will come into force next January. Some banks will now be allowed to calculate their capital requirements using the "building block" approach only once every six months. In the interim, they will be able to check on their capital needs using internal models.

But they will not be able to reduce the amount of capital set aside if the internal model produces a lower requirement than the "building block" approach. The only advantage will be not having constantly to duplicate calculations.

"Some bankers have said that the daily calculation of the CAD requirements is the most costly thing, and it does not fulfil much purpose," said one Bank of England official.

The final version of the UK implementation of the CAD, to be published by the central bank today, makes a number of other changes. They include the relaxation of capital standards for loans made by banks to investment banks.

Exposures to investment banks within the EU or from some qualifying countries will now be treated as lower risk than those to industrial companies. However, banks will have to deduct from capital any shares in investment banks.

UK NEWS DIGEST

Nadir regains control of part of his empire

Mr Asil Nadir, the fugitive businessman, is back in control of part of his collapsed business empire in northern Cyprus a month after the assets were sold by administrators to a little-known local businessman. Officials on the island confirmed yesterday that Mr Elmas Guzelyurtlu, a former foreign exchange dealer, had signed over the shares in some Polly Peck International companies for $8m to Mr Nadir and Ms Sadika Atalay, a Cypriot businesswoman and former owner of a hotel on the Turkish mainland.

In March, Mr Guzelyurtlu paid administrators an undisclosed sum for the companies, ending a four-year struggle to realise assets for creditors. The companies involved own the two luxury hotels in northern Cyprus – the Jasmine Court and the Palm Beach – as well as Sunzest, a fruit processing company, and a cardboard box maker. Mr Nadir and Ms Atalay were registered this week as the new directors of Learned Limited, which owns the assets. Mr Chris Barlow, lead administrator with Coopers & Lybrand, said: "It is not our concern who becomes a director of a company which has bought assets of PPI." Mr Nadir fled to Cyprus in 1993 after jumping bail in the UK where he faces charges of theft and false accounting relating to his running of PPI.
Jim Kelly, Accountancy Correspondent

Telecoms company slammed

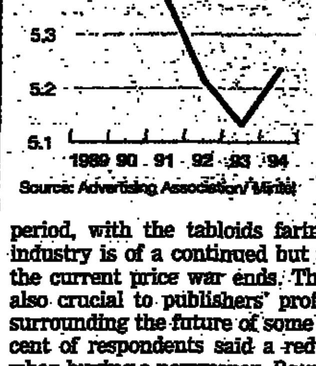
Mr Duncan Lewis, chief executive of Mercury Communications, the telecommunications company, has warned senior colleagues that the group's turnround is being jeopardised by a failure to focus adequately on customer service. Mr Lewis complained in a note to Mercury's directors on March 10 that quality of service to customers was slipping and that business standards were being compromised as the company coped with reorganisation and job losses. The company, British Telecommunication's chief rival in the UK, has been suffering from intensifying competition and narrowing profit margins.
Alan Cane, Industrial Staff

MPs hope to foil Murdoch

Three backbench MPs in the governing Conservative party yesterday launched a powerful attack on the bidding rules for the proposed new Channel 5 television network. They said the rules could allow Mr Rupert Murdoch to expand his already powerful position in the UK media. Their attack came amid growing speculation that a consortium including Mr Murdoch is emerging as favourite to win the licence.

The three MPs referred to the "undesirability" that British Sky Broadcasting – of which Mr Murdoch owns a 40 per cent stake – might have any management involvement in the new terrestrial network. BSkyB is the satellite television network in which Mr Murdoch's News Corporation holds the largest stake. Pearson, owner of the Financial Times, is also a stakeholder. *James Blitz and Raymond Snoddy*

Newspapers' future 'gloomy'



Source: Advertising Association/Mintel

In spite of a 2 per cent increase in the volume of newspapers sales last year there is no evidence that the long-term decline has been reversed, says Mintel, the market research group. Mintel argues that consumer expenditure on national newspapers has fallen in real terms since 1989 and continued to decline last year. The group says the market at current prices was valued at £2.9bn ($4.7bn) in 1994 and that in real terms the market has declined by 10 per cent since 1989. All sections of the national newspaper market saw declines in the 1990-93 period, with the tabloids faring worst. "The future for the industry is of a continued but slow fall in volume sales once the current price war ends. The duration of the price war is also crucial to publishers' profitability and there are doubts surrounding the future of some titles," Mintel says. Only 6 per cent of respondents said a reduced cover price was a factor when buying a newspaper. *Raymond Snoddy*

Relaunch by developer

Shirayama Shokusan, the Japanese property company relaunched its development plans for County Hall on the south bank of the River Thames opposite the Houses of Parliament. County Hall used to be the headquarters of the Greater London Council, the giant municipal authority abolished by the Thatcher government in 1986. The revised proposals include a smaller hotel alongside one of Europe's largest aquariums and an "interactive natural life theatre." The development would cost about £75m ($121m) over the next three to five years, said Shirayama.
Andrew Taylor, Construction Correspondent

Hunters demand payout: Deerhunters are demanding £4,000 ($6,480) to pay for stress counselling they received during their court battle against an attempt to ban hunting on the Quantock Hills in south-west England. The money is part of a £240,000 bill sent to Somerset County Council. Major Denys White, a hunt official, said: "It was a two-year battle against the council; we were all under considerable pressure and we needed that help." Mr Chris Clarke, council leader, said "These people are treating taxpayers with total contempt."

Policeman to appeal: A police marksman convicted of hitting a youth who threatened to throw his baby from a train is to appeal against demotion. Constable Richard King had his licence to shoot revoked after senior officers decided he lacked the temperament to carry arms despite being cleared of assault on appeal. There was an outcry when a magistrate fined the constable £150 for assaulting the 19-year-old, who claimed he was joking when he said he would like to throw the officer's nine-week-old daughter out of a train window.

MPs warn of risks in Irish peace

By John Kampfner, at Westminster

The Northern Ireland committee of the House of Commons warned yesterday that "over-hasty" reduction in spending on British security forces could lead to a sharp rise in unemployment in the province.

The report warned that as many jobs might be lost as created if the security apparatus is dismantled too quickly. It employs about 20,000 people in the police, prison services and the army's support services, and in the private security industry. "The government will need to manage any radical alteration in its spending in Northern Ireland slowly and with care," the MPs said. The security forces spent up to £500m ($810m) each year on construction and goods and services in the province. Any cuts would have a "powerful effect in towns and villages where the army has concentrated its spending".

The committee said in a report about job prospects that last year's ceasefires should promote considerable inward investment. A sustained period of peace could produce up to 20,000 jobs in sectors related to tourism. "Attention will need to be placed on improving the infrastructure of the region by developing energy and water resources, as well as transport links," it said.

Mr Michael Ancram, a junior minister in the British government's Northern Ireland Office, said in the House of Commons that the number of enquiries from outside companies interested in investing in Northern Ireland had grown nearly fourfold over the past six months compared with the corresponding period a year earlier.

While the unemployment rate had dropped, it remained "too high for complacency," Mr Ancram added.

The MPs' report said while there had been a steady rise in job creation over the past few years, it had not kept pace with high birth rates, and the number of young people entering the labour market. With GDP per head at 80 per cent of the national average, Northern Ireland is the poorest region in the UK and has the highest rate of unemployment.

Dae Ryung, the Korean electronics company, is to set up an £18m ($29m) plant in Craigavon, Northern Ireland, to make satellite video receivers for home use. It is the largest greenfield investment in the province since the ceasefires last year by the Irish Republican Army and its rivals. The investment, backed by a £6m grant from Northern Ireland's Industrial Development Board, will provide 500 jobs by 1997. Dae Ryung is the US market leader in the manufacture of the home electronic equipment used to receive satellite television signals.

BUSINESSES FOR SALE

CALL FOR TENDERS
for the Purchase of a group of assets of
"METALLURGIKI HALYPS SA" of Athens Greece

"ETHNIKI KEPHALEOU SA Administration of Assets and Liabilities", of 1, Skoulenlou Str., Athens, Greece, in its capacity as Liquidator of "METALLURGIKI HALYPS SA" a company having its registered office in Athens, Greece (the "Company"), currently under special liquidation according to the provisions of article 46a of Law 1892/1990 by virtue of Decision No 4354/1994 of the Athens Court of Appeal upon instructions of the creditors, representing more than 51% of the claims against the Company.

announces a call for tenders

for the purchase of the group of assets mentioned below, which are being sold as a single entity.

BRIEF INFORMATION

The Company was established in 1972 and was in operation until 1981, when it was declared bankrupt. Its activities included the production of concrete reinforcing iron in rolls and bars. On 10.8.94, the Company was placed under special liquidation according to the provisions of article 46a of Law 1892/1990.

GROUP OF ASSETS OFFERED FOR SALE

Steel Producing Industrial Complex at "Tsingoli" in the Community of Almyros, Volos.

This is a steel foundry rolling mill, occupying an area of approx. 575,215m², comprising the following buildings:

a. Rolling Mill approx. 26,670m²
b. Steel Foundry approx. 7,600m²
c. Several auxiliary buildings (offices, storage areas, water processing unit, workshop, weighing areas, underground tanks, auxiliary areas, etc.)

The plant's machinery and mechanical equipment, the company's trade name and any such stock in trade or receivables as may exist are also being offered for sale. It should be noted that special port facilities were created to deal with the plant's needs, through the acquisition of special permits granted by the public authorities. The future owner of the plant will have to apply to the relevant public authorities for the renewal of the said permits, allowing the further use of these facilities (which constitute public property).

OFFERING MEMORANDUM - FURTHER INFORMATION

Interested parties may obtain a copy of the Offering Memorandum in respect of the Company and its assets upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by art. 14 of L.2000/91 and subsequently modified) the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: interested parties are hereby invited to submit binding offers, not later than Thursday, 25th May 1995, 1200 hours, to the Athens Notary Public Mr. Evangelos Drakopoulos, 19 Voukourestiou St. 106 71 Athens, tel +30-1-361 57 32, fax +30-1-362 11 11. Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate if any). In the event of not specifying a) the way of payment, b) whether the credited amount shall bear interest and c) the interest rate, then it shall respectively be deemed that: a) the offered price is payable upon execution of the sale contract, b) the amount credited shall bear no interest and c) the interest rate shall be the legal rate in force from time to time. In all cases where the credited amount bears interest, this shall be calculated on the basis of the outstanding amount and shall be payable on the date of payment of each instalment. Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of third parties to be nominated at a later stage shall be accepted on condition that this is expressly stated upon submission and that the offeror shall give a personal guarantee in favour of such third party, for the compliance of the obligations deriving from the sale contract.
3. Letters of Guarantee. Binding offers must be accompanied by a Letter of Guarantee, issued, in accordance with the sample of Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece to remain valid until the adjudication. The amount of the Letter of Guarantee must be Drs. FOUR HUNDRED MILLION (400,000,000-). The Letters of Guarantee shall be returned after the adjudication.
4. Submissions. Binding offers together with the Letter of Guarantee shall be submitted in sealed envelopes.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 25th May 1995, 1400 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant whose offer will be judged, by creditors representing over 51% of the claims against the Company (the "Creditors"), upon suggestion by the Liquidator, to be in the best interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value, to be calculated by employing a 22% annual discount interest rate, compounded yearly.
7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. In the event of the highest bidder not complying with such obligation, the Letter of Guarantee shall be forfeited as a penalty. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature, including any tax (such as VAT), duties, custom duties, any charges in favour of the state or third parties, which may need to be paid (other than those exempted by the law) in respect of the participation in the Auction and the transfer of the assets offered hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the participants and the purchaser respectively.
9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction. The Liquidator or the Creditors shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this call and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event, the Greek version shall prevail.

ANNOUNCEMENT BY A THIRD PARTY

The Privileged Company of General Warehouses SA (PCGW) has asked the Liquidator through an extrajudicial statement to include in the present invitation the following declaration:

"The immovable property to be auctioned has been recognised in its entirety (all housed and open spaces) since the year 1979 to be an annexe of PCGW assimilated to a Central Warehouse by art. 15 of D 3077/54 and it is therefore subject to the exclusive "key-in-hand" administration of PCGW, which has the unrestricted right, free of participation, for the needs of the administration of all the merchandise delivered and warehoused by the Metallurgiki Halyps SA into the Private Annex. This status will be continued until the end of the administration of such merchandise, which nowadays consist, on the one hand of the existing interior or "koutouki" scrap (subject in their entirety as they are and sold to the Administration of PCGW through the express judicial consent of the representatives of Metallurgiki Halyps SA) and on the other hand of the quantity of billets sold, which still remains in the furnace of the factory, not having been delivered due to inability to extract it from there due to lack of electricity." Ethniki Kephaleou SA will be handing to prospective buyers a copy of the above mentioned extrajudicial statement of PCGW and will be furnishing information concerning the course of the matter.

To obtain the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU SA Administration of Assets and Liabilities", address: 1, Skoulenlou Street, 105 61 Athens, Greece, tel +30-1-323 14 84, fax +30-1-321 79 05 (attention Mrs Marika Frangakis).

CONTRACTS & TENDERS

ROSSIYSKIY KREDIT BANK
ONE OF THE LARGEST RUSSIAN BANKS

Hereby RKB officially announce an open tender for the automation of its front-and back office activities. RKB is a wholesale bank located in Moscow, Russia.

Mandatory requirement for the participants of this tender is to have technical support in the Russian Federation.

All participants for this tender are requested to register by fax: (7-095) 248-2201 within one week after this announcement.

The R.F.I. is available at the following co-ordinates:
Attn. Mr. Nikolai Zavgorodny
30, Smolenskiy blvrd, apt. 317,
Moscow, Russia,
tel.: (7-095) 248-2836

Multichannel twenty-four-hour inquiry tel.: (7-095) 943-5101

APPOINTMENT OF THREE ASSOCIATE DIRECTOR POSTS

Applications are invited from competent Marketing and Sales Consultants for inclusion in a select list to be invited to tender for each of three consultancy contracts to be awarded by the Industrial Development Board for Northern Ireland.

CONSULTANCY CONTRACTS

The IDB wishes to appoint three Associate Directors to join the existing teams working to attract inward investment through IDB's three Asia Pacific offices in Japan, Korea and Taiwan. The three successful appointees will be based in Belfast and will be under the direction of the Executive Director, International Operations Division.

REQUIREMENTS

The service provider will be required to demonstrate his/her capabilities of meeting the conditions as set out in the invitation to tender. These will include:

- a sound knowledge of the business environment in the relevant country;
- fluency in English and the relevant language;
- familiarity with the business and social cultures of the relevant country;
- exceptional communication, presentation and interpersonal skills, especially in dealing with customers at senior management level;
- experience in preparing and implementing marketing and sales plans;
- an ability to identify opportunities for foreign direct investment into Northern Ireland;
- an ability to cultivate European based subsidiaries and media of Asia Pacific countries;
- a willingness to travel frequently in order to develop key client portfolios.

The service provider will be based in Belfast and will work in support of and in close liaison with the IDB Directors in each of the three Asia Pacific offices.

Please apply in writing (attaching a CV and other relevant details) expressing your interest in being invited to tender by 9th May:

Roz Carson
Director, International Promotion
Industrial Development Board for Northern Ireland
IDB House, 64 Chichester Street
Belfast BT1 4JX
Tel : 01232 545236
Fax : 01232 545333

IDB Northern Ireland

B/M/G/B Beteiligungs-Management-Gesellschaft Berlin mbH

The Beteiligungs-Management-Gesellschaft Berlin mbH tenders for sale:

Dampfkesselbau Hohenthurm GmbH
(Manufacture of Steam Generators)

Location: Central in Europe; in the middle of Germany, near the Leipzig airport

Size: Site with buildings approx. 60.000 m² (an expansion area up to 90.000 m² is available)

Products/Services: Over 40 years experience in metal processing and manufacture of steam installations. Construction and overhaul of steam generators. Construction, manufacture and testing of pressure and non-pressure containers; large pipes, tubular air heaters etc.; sheet metal processing.

Staff: 216

Please contact: Telephone +49 30 3154 64 82, Fax +49 30 3154 62 50

LEGAL NOTICES

THIS ADVERTISEMENT HAS BEEN PLACED BY THE LUXEMBOURG COURT APPOINTED LIQUIDATORS OF:

BCCI HOLDINGS (LUXEMBOURG) SA (IN LIQUIDATION)
Airport Center, 5 rue Hohenhof, L-1736 Senningerberg

BANK OF CREDIT AND COMMERCE INTERNATIONAL SA (IN LIQUIDATION)
Airport Center, 5 rue Hohenhof, L-1736 Senningerberg

EXTRACT

By Court Order dated 11th April 1995, the Luxembourg District Court supplemented the Winding-up Orders on BCCI HOLDINGS (LUXEMBOURG) SA in liquidation, with registered offices at Airport Center, 5 rue Hohenhof, L-1736 Senningerberg, Grand Duchy of Luxembourg, and on the Limited Liability Company BANK OF CREDIT AND COMMERCE INTERNATIONAL SA in liquidation, with registered offices at Airport Center, 5 rue Hohenhof, L-1736 Senningerberg, Grand Duchy of Luxembourg, as follows:

The Court-appointed Liquidators will draw up lists of claims which they consider to be admissable. At the same time they will draw up lists of disputed claims. They will present a report to the Supervisory Judge regarding their verification activities and periodically provide the Judge with provisional lists of admissible and disputed claims.

During the first ten days of January, March, May, July, September and November, the periodic lists of claims declared to be admissable will be lodged with the Clerk to the Luxembourg District Court, and will be open to inspection by those creditors certified admissable and those who appear in the books of the company. They may challenge claims shown on the lists by notifying their intention to the Clerk of the Court who will note their challenge in the margin against the refuted claim. Such notation will indicate the date of the objection, the identity of the challenger and, if necessary, his representative who will be instituting proceedings. The objection must be confirmed by registered letter forwarded to the liquidators within three days, otherwise it will be inadmissable. It must indicate the precise capacity of the person raising the objection, the proof of his qualification as eligible or listed creditor, and the grounds for rejecting the refuted claim, failing which the application may be deemed inadmissable. Domicile must be elected within the Commune of Luxembourg.

On expiry of the 10-day period during which claims may be challenged, those claims declared admissable which have not been challenged will be included in a final report signed by the Liquidators and the Official Receiver.

The Supervisory Judge will refer the lists of disputed claims to the next Luxembourg District Court hearing in commercial litigation as fixed for such purposes by the present Court Order.

Those creditors advised in writing by the Liquidators that their claims have been disputed or challenged will be required to elect domicile in the Commune of Luxembourg within a period of fifteen days from despatch of the letter.

Where domicile is not elected, all notices, notification and information may be communicated or given to the same at the Office of the Clerk to the Luxembourg District Court.

Where a claim is disputed, the claimant will be advised accordingly by the Liquidator by Post Office registered letter mailed at least fifteen days prior to the hearing fixed to consider the dispute in question. The letter will indicate the date and place of the hearing.

Disputes and challenges to claims which have been declared admissable, referred by the Supervisory Judge will be heard by the Luxembourg District Court at commercial litigation hearings on 16 June, 10 November and 1 December 1995, and 14 June and 15 November 1996. At these hearings, the Supervisory Judge will make a report and the Court will adjudicate in respect of all objections and challenges raised, and this without prior summons. Judgement will be given after hearing all sides, if appearing, encompassing both liquidators and creditors opposing and stating their claims.

Objections on which no immediate decision can be made will be put to one side. Those which fall outside the jurisdiction of the Commercial Court will be referred to the relevant competent Court.

No opposition will be admitted against judgements ruling on any such objections or challenges.

Jacques DELVAUX
Georges RAVARANI
Liquidateurs judiciaires de BCCI HOLDINGS (LUXEMBOURG) SA en liquidation

Georges BADEN
Julien RODEN
Brian SMOUHA
Liquidateurs judiciaires de BANK OF CREDIT AND COMMERCE INTERNATIONAL SA en liquidation

CONTRACTS & TENDERS

REQUEST FOR PROPOSALS
EMERGING MARKETS EQUITY INVESTMENT MANAGEMENT

The Washington State Investment Board (WSIB) is a U.S.A. public state agency with the investment management responsibility for approximately $26 billion in 23 funds in three classes; retirement, insurance and permanent funds. The WSIB is issuing two procurement documents, a Request for Proposals and a Request for Qualification/Quotations, to hire qualified firm(s) to provide investment management services in emerging markets as outlined below:

A. **Request for Proposals (RFP)** in three emerging markets categories. (1) active global equity; (2) active Latin America regional equity; and (3) active non-EAFE Asia regional equity. To qualify for each category, the offeror must have a minimum of three years live performance history in the subject product. Additionally, for category one, the offeror must manage a minimum of $200 million U.S. in a stand-alone emerging markets global equity product. For the regional categories two and three the offeror must manage a minimum of $100 million U.S. of stand-alone Latin American or non-EAFE Asian regional equity product.

B. **Request for Qualification/Quotations (RFQQ)** for passive global investment management services in emerging markets. To qualify, the offeror must have a minimum live performance history of one year in the subject product and three years in a non-U.S. passive index product. The offeror must also manage $200 million U.S. or more in stand-alone passive emerging markets global equity product.

Additional qualification for both procurements: An offeror must be an SEC-registered investment advisor with one or more U.S. tax-exempt institutional clients invested in any product.

The WSIB will begin mailing the RFP on April 28, 1995 and the RFQQ on May 5, 1995. **Proposals for both procurements are due June 12, 1995.** If your firm is qualified and would like to participate, you may obtain copies of these documents by contacting by *facsimile only*: Mr. John Lynch, WSIB, Olympia, Washington, USA. Fax: (360) or (206) 664-8912. Please clearly specify which document you want and the title of the procurement you are requesting.

The country's senior and middle-level managers are reputed to be among the best in Asia, reports **Edward Luce**

Philippine factor

Renowned worldwide for its maids, entertainers and nannies, many overlook the fact that the Philippines is one of Asia's largest exporters of senior and middle-level managers.

"Philippine managers are among the highest quality in the region," says Felipe Alfonso, president of the Asian Institute of Management in Manila. "Look at the Indonesian banking sector. It is practically run by Filipinos."

In 1988 local skills shortages compelled the Indonesian government to scrap restrictions on expatriate workers in the Indonesian financial sector. Many of the country's financial houses, including the Lippo Bank, which is headed by Ben Castillo, hired large numbers of Filipinos.

"The advantage of Filipino managers is that they are adaptable, versatile and English-speaking," says David Hodgkinson, chief executive officer of the Hong Kong and Shanghai Banking Corporation in the Philippines. "They also work incredibly hard."

The point has not been lost on the 10 foreign banks given licences by the central bank to operate retail and wholesale branches in the Philippines as part of the sector's liberalisation.

The four existing foreign licensees – Citibank, the Bank of America, the HBSC and Standard and Chartered – quickly found themselves the target of predatory encroachment from their new-found rivals offering premium salaries for the country's local and overseas banking personnel.

"We put local applicants for management positions through exactly the same language aptitude and numerical tests as those in the UK. Apart from Hong Kong we do not do that anywhere else in Asia," says Hodgkinson.

"In Thailand and Indonesia you find yourself forced to put people into jobs and hope they will grow into them. We do not have to do that in the Philippines," he adds.

Teodoro Montecillo, vice-president of Citibank (Philippines) and an employee of the American institution in Manila since 1965, attributes the high standards of Filipino managers to the country's past.

"We have been colonised and occupied by the Spanish, the Americans and the Japanese. This has left us with a very flexible cultural outlook. In other words we are not stuck in a rigid national mindset."

Terry Villareal, 31, an associate marketing manager at Metrolab, a Manila affiliate of the Hong Kong-based First Pacific group, took an MBA at the Asian Institute of Management with graduates from other Asian countries. "I felt we were less prone to quantifying issues than other Asians. Confronted with a problem we would give an overview first of all before trying to put a figure on it."

Veronica Garbutt

Sitting pretty: Filipino children, potential managers of the future, can look forward to higher salaries without being forced to take their expertise abroad

This approach has clearly paid dividends for Filipino managers. First Pacific, for example, which is owned by the Indonesian Salim group, is headed by a Filipino in Hong Kong as is Metro Pacific, First Pacific's Manila subsidiary.

Other multi-national subsidiaries headed by Filipinos include Nestlé, Procter & Gamble, Timex and Del Monte Fresh Produce, which is owned by Grupo Cabal in Mexico.

The rapid localisation of the management of foreign firms based in the Philippines has dented the Philippines' long-standing inferiority complex vis-à-vis the country's Asian neighbours. Considered the "sick man of Asia" the Philippines is regaining its self-confidence.

"I have always believed that Filipinos would excel like any expatriate if given the chance," says Joselito Silva, senior director of Del Monte's operations in Mindanao, with a masters degree in plant disease from the University of Hawaii and a monthly salary of $5,000 (£3,086). "We tend to be more adaptable than others, especially when assigned outside our own country, because our approach to management is neither fully oriental nor fully western."

This view is confirmed by expatriate executives based in the Philippines. Don Mika, the American country manager of Texas Instruments, an American computer circuitry manufacturer, which employs 2,000 workers at its plant in Baguio and is one of the largest foreign investors in the Philippines, is the only expatriate based at the plant.

"When we first started here we employed seven expatriate managers. Now there's only me and I can envisage in the near-term our operations becoming completely localised," says Mika, who has been based in Asia for 15 years.

"The thing that strikes me most is that Filipinos work very well in teams because they are highly adaptable. You can put an engineering graduate in an administrative position, for example, and he will immediately fit into the new surroundings."

As the country's economic recovery gathers momentum many Filipino managers are returning home to pick up the higher salaries on offer and add their numbers to the accelerating reverse brain drain.

"The brightest and the best now have the opportunity to do something for their own country rather than selling their expertise to others," says Alfonso. "The country stands to benefit enormously."

Bound for college

A collegiate body for UK company directors – comparable to the Law Society, the Royal College of Surgeons and the Institution of Civil Engineers – is being proposed by the author of a recent report on boardroom non-executives.

Patrick Mileham, a lecturer at the University of Paisley and the University of Surrey's Centre for Leadership Studies, believes the college would promote "directorial best practice" and improve director-level training and development. All members of stock exchange-listed companies, he adds, should ultimately be required to join.

Mileham's thinking is based on what he calls the "positive aspects" of corporate governance and by the enthusiasm of those interviewed during his research.* "We were informed that the majority have growing confidence in their role, but do not like to be mistrusted, and be lumped together with some notorious recent cases of directorial failure.

"More than 80 per cent believe in training for those coming onto a board for the first time, more than two thirds believe in the necessity for non-executive training, and 30 per cent consider there is much value to be derived from whole-board training."

Native cunning and gifted amateurism, he explains, must be replaced with something more substantial as new generations reach the boardroom.

The proposed chartered college of directors would set standards, encourage research, and set qualifications based on training and development. Other organisations such as the Confederation of British Industry and the Institute of Management could play a supporting role.

** Coming on Board: the Non-Executive Directors' Role in Strengthening Boardroom Leadership. Published by the Institute of Management.*

Tim Dickson

Fair shares for workers

Robert Taylor on the arguments for spreading employee ownership

The idea of employee share ownership as saviour of the free market may not have swept the world's company boardrooms. However, a recent gathering of senior US executives in an old manor house in Portugal suggests the cause may again be gathering momentum.

The preacher pushing the message that companies should provide their workers with shares was Jeff Gates, a former counsel to Russell Long, the conservative Democratic senator from Louisiana, who likes to recall the dictum of his political mentor: "Capitalism would be much improved if it were populated by more capitalists."

Long helped to craft federal legislation in the Reagan years to encourage employee stock ownership schemes based on the pioneering work of a San Francisco lawyer, Louis Kelso, whose *Capitalist Manifesto* published in 1958 is the bible of the wider share ownership movement.

Gates argues that share-owning employees are the answer to a malaise in capitalism, which he claims has grown "disconnected" as capital has become concentrated in the hands of fewer and fewer individuals and broadly diversified mutual funds.

"Capitalism has long been a notoriously poor creator of capitalists," Gates explains. "After almost two centuries of capitalist evolution, the top 10 per cent of US wealth holders own 89 per cent of the financial securities held by US households, about the same as when silk hats were popular."

He wants to see "more localised and more personalised participation" in the economy through a wider ownership of capital. He sees history as on his side. As Gates points out, a quarter of all US publicly traded companies will be more than 15 per cent owned by their own employees by 2000.

More US workers own shares in their own company than possess union membership cards. He estimates that around 12 per cent of the US workforce in 12,000 enterprises "now participate as significant shareholders of companies where they work".

Employee ownership accounts for 3.5 per cent of all US market capitalisation with a total market value of around $150bn (£92.5bn). The companies operating employee share ownership plans (Esops) – tax driven schemes which mushroomed particularly in the 1980s – include United Steel, United Airlines, Avis rental car company, Tandy corporation and Publix Supermarkets. An estimated 85 per cent of all Esops are in unlisted companies.

Gates adds that several US trade unions, including the Steelworkers, regard "ownership as the new frontier for connecting their members to the economy". The movement is spreading across the world, Gates claims. He points to the Czech Republic where citizens have been given vouchers to secure a possibly profitable stake in former state-owned enterprises. He points to moves to encourage worker ownership in Jamaica and Ivory Coast, and says that more than 3,000 companies in China have provided Esops to their employees.

Gates is aware of the dangers of over-selling his product. "Unfortunately, in policy circles ownership remains a touchy, even a taboo, subject," he says. "Any politician [in the United States] daring enough to mention it runs the risk of being portrayed as politically pink if not outright red."

Gates wants to make the world "safe for capitalism" through the spread of employee ownership. He also thinks they may save at least the US trade unions from oblivion.

"What is now needed is a concerted effort to upgrade union members' ownership portfolios, meaning both the skills they own and the assets they accumulate based on those skills," he argues.

Esops are no longer regarded as eccentric in the UK. The first one was set up in 1986. Since then both the Co-operative Bank and Unity Trust, the trade union bank, have encouraged them to spread among trade unions and their members.

A number of privatised bus companies were established on employee ownership lines during the 1980s – helped by Conservative government provision of tax advantages designed to stimulate Esop growth.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to IPM Communications plc ("the Licensee") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. He proposes to apply the telecommunications code ("the Code") with the exception of paragraphs 8, 10, 17 and 18 by virtue of section 10(2)(b) of the Act, and subject to certain exceptions and conditions, to IPM Communications plc to run telecommunication systems throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensee will have duties:

(a) to comply with the various safety and environmental conditions;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

3. The reason why the Secretary of State proposes to apply the Code to IPM Communications plc is that it appears to the Secretary of State that:

(i) the running of the telecommunication systems will benefit the public; and

(ii) it is not practicable for the telecommunication systems to be run without the application of the Code.

4. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

5. Representations or objections may be made in respect of the the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 26 May 1995 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.78, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 0171-215 1756.

Alan Proud
Department of Trade and Industry

28 April 1995

THE PROPERTY MARKET

A French revolution

Andrew Jack examines an increasingly attractive sector

A revolution is taking place in French commercial shopping centres, with radical changes in ownership in what is becoming an increasingly attractive investment sector.

For 20 years, the structure of the market remained stable and tightly-controlled. Just four banks – Worms, Crédit Lyonnais, Suez and Paribas – with two insurance companies and four retail chains operated a closely-knit partnership which conducted most development and management.

Suddenly, that has changed. Since 1990, 20 of the large regional centres have changed hands. Since the start of last year alone, there have been 12 such transactions, including the enormous acquisition by the French group Unibail of Suez's CFI portfolio of participations for FFr3bn ($622m).

Substantial sales to foreign investors have begun. The first in 1990 of the Parinor centre was to the Dutch group Wereldhave. Since then, Shroders International Property Fund, Hammerson of the UK and the Abu Dhabi Investment Authority have become involved.

"We have been pretty active, especially last year," says Mr Gérard Devaux, head of Hammerson France, which now has half of its portfolio in retail sites. "We think there is a lot of value to be had from commercial centres. It is very much our intention if we can find the right opportunities to buy more."

But what has caused the explosion of interest? First, there is little doubt that shopping centres represent a highly important business. The 630 centres around the country – including some 39 large regional and seven super-regional sites – occupied some 18 per cent of all retail space and generated a turnover in 1993 of up to FFr450bn, or a quarter of all sales from shops.

This business is growing fast, and seems to have been largely protected from the worst effects of France's economic difficulties over the past few years. "Shopping centres have not lost turnover," says Mr Léon Bressler, head of Uniball, the country's largest owner of commercial retail space. "The rapid growth may have stopped but the impact has only been a stabilisation."

Developers in out-of-town centres have the advantage of greater legal freedom than their counterparts in high street stores to implement larger and more rapid rent rises. In addition, rentals tend to be at least partly based on shop turnover, which shields the investment from inflation.

There is also a structural factor that has made French shopping centres increasingly attractive to investors. Tough planning regulations are now significantly restricting the prospects for future openings of large regional centres, in a way that should prevent the market becoming saturated and safeguard the value of existing investments.

A new law introduced in 1993 imposed far harsher criteria for the approval of new developments. The effect has been to freeze the market. The volume of new commercial retail space approved in France fell from almost 2m sq metres in 1992 to 207,000 sq metres in 1993 and was 700,000 sq metres last year.

But it was probably the unprecedented collapse in the office property market that made most difference, as investors turned elsewhere in the search for better returns. "It's nice to have a historic Haussman building in Paris, but it's not much good if it's empty," says Mr Bressler. "Shopping centres are cashflow oriented and crisis resistant."

Equally, foreign investors were at first suspicious that French companies were not more involved in more transactions, and uncomfortable with the fact that they could not buy total control because traditionally the "anchor" store in a centre owns its own property. "They accepted that you cannot avoid co-ownership if you want to enter the French market," says Mr Devaux.

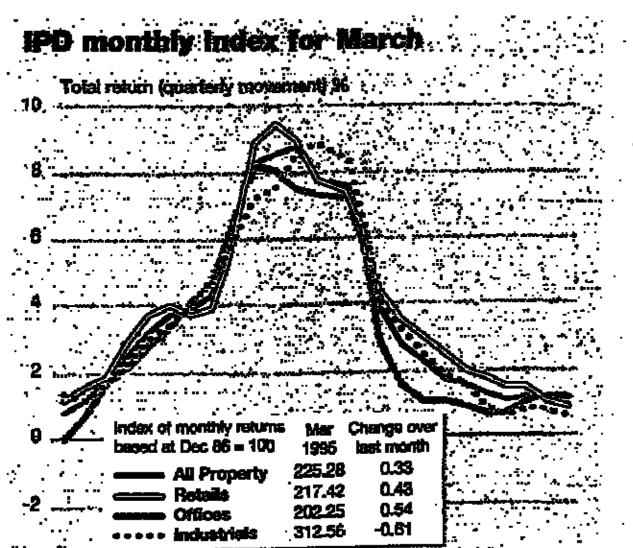
Mr Simon Marrison, an associate with Healey & Baker, the chartered surveyors, in Paris, said: "A lot of people realised that their portfolios were light in shopping centres."

However, this realisation had been growing over some time. The difficulty was more one of supply. "It was a question of lack of product," he says. "Everyone was agreed that there was plenty of demand but the potential to actually do deals was very limited."

As the recession deepened, shopping centers became available as developers were finally – and often reluctantly – forced to sell to realise capital gains to offset huge losses elsewhere. Examples included Suez and Crédit Lyonnais.

The prospects for the future are more open to question. With the chances of large new retail developments diminishing, investors will have to be more imaginative in refurbishment and the use of other attractions to bring more custom to existing centres.

Many companies will also no doubt begin to shift some attention back to the French office market once it begins to recover over the coming years. But as Mr Marrison says: "I think there is a consensus now that property investors must always have some shopping centres in their portfolios."



Little change in month

The All Property total returns index rose only 38 basis points to 225.28 in March as a result of the barely noticeable (0.1 per cent) rate of return for the month. This compares with a 0.2 per cent return in February.

Rental values also barely moved during March, the All Property rental value index falling from 136.26 in February to 136.21. Capital values continue to decline, as they have since September 1994, recording minus 0.5 per cent.

None of the three main performance measures have changed significantly over the last quarter. All property total return measured 0.9 per cent for the first quarter of 1995 compared with 1.0 per cent for the final quarter of 1994, while capital growth recorded minus 1.0 per cent and minus 0.9 per cent for the respective periods.

Over the 12 months to March 1995, capital growth rates have now turned negative, recording minus 0.2 per cent compared with 2.7 per cent achieved for the year to February. All property total return also shows signs of slowing in the long term, recording 7.9 per cent over the 12 months to March, just over three points down on that recorded for February 1994-95.

Offices continued to display the highest sector return in March, recording 0.3 per cent.

Despite the brave defence of it made years ago by Germaine Greer, Shakespeare's comedy *The Taming of the Shrew* has become awkward terrain in this feminist era. Yet the way Petruchio tames is less heartless than the way Shakespeare's Richard III wins Lady Anne, and less designed to humiliate than the way Oberon punishes Tytania.

It is a cheap modern mistake to assume that *The Taming* dramatises Everyhusband's treatment of Everywife. The comedy is that Katherine is a *shrew*; the beauty is that Shakespeare sets her unconventional tale in malicious counterpoint against the more traditional *commedia dell' arte* comedy of her pretty little sister Bianca; the miracle is that Katherine is not broken by her taming but transfigured. The problem, however, is that Shakespeare gives her too few lines in which to show her shrewishness; we hear that "mortal ears might hardly endure the din" of "her scolding tongue", but we seldom hear that din.

You wonder why modern directors trouble with *The Taming* unless they make it a drama of, as Petruchio sees it, glorious falconry. Yet almost all of them are too scared, too p.c., to make Katherine a shrew. England has two new stagings, one by Gale Edwards for the Royal Shakespeare Company in Stratford-upon-Avon, the other by Mihai Maniutiu at the Leicester Haymarket. The first four acts of the former are the worst RSC Shakespeare I have ever seen, though the fifth recoups many of the earlier losses. The Leicester staging, however, is much, much worse.

The productions are not helped by employing, as Kate, two of Britain's most over-promoted actresses: Josie Lawrence at the RSC and Josette Simon at Leicester. Edwards and Lawrence are too timid to make Kate a shrew. Lawrence's Kate is simply a picturesque but dully imposing heroine out of some period romantic fiction (Daphne du Maurier's *Frenchman's Creek*, maybe, or Hugh Walpole's *Judith Paris*). Maniutiu and Simon, however, are too silly to show us either a shrew or a taming. Simon's Kate is a posturing, prowling, rifle-shooting, jazzy, sexy, fighting-cock who learns nothing save heightened insincerity.

The two Katherines start with opposite qualifications, proceed in opposite directions, achieve opposite results. Witness the moment when Petruchio says "Come, I will bring thee to thy bridal chamber." Kate can react to this in umpteen different ways; she can show fear, desire, aversion, exasperation, shame, curiosity ... Lawrence, who is a stage artist of very restricted expressive powers, is simply a blank here, giving us no clue of what mood in which Kate is led to bed.

Simon, by contrast, here delivers the most overblown episode of a performance that is nothing but over-acting: she struts her way with confident artfulness to bed, onstage, goes in for high-voltage acrobatics beneath the duvet, and re-appears in the morning – get this – bumping and grinding to a stripper tune, making love to Petruchio's trunk-size backpack.

But in the final act Lawrence – for all the grey, laborious slowness of her verse-speaking, the near-immobility of her torso and face, and the heavy way she underlines her every stroke of characterisation – darkly forces all the love and sincerity and self-discovery she can out of the lines: which she firmly addresses in turn to the widow, then to her sister, then finally and transcendently to her husband, making us feel that she and he are the only two large-spirited people in the play.

Not so Simon, who never lets her artfulness drop for a second: the play's crowning speech about wifely submission becomes nothing but a superficial exercise in rhetoric, over-emphatic and self-satisfied, designed to lull Petruchio into cuckoldry. (At the end, she finds her rifle again, shoots in the air, and brings down ... a pair of cuckold's horns that descend onto his head from on high.) Simon never really characterises Kate; she merely gives us an actressy collage of impudent effects.

Both Edwards and Maniutiu show how inconvenient they find Shakespeare's text. Edwards adjusts the Christopher Sly prologue, making him a deadbeat Georgian drunk who abuses his wife; then turning them into Petruchio and Kate for the play proper; then adding an epilogue in which Christopher/Petruchio abases himself before his wife. Maniutiu cuts Christopher Sly altogether, and cuts much of the main play too (even Petruchio's wonderful "Say that she rail, why then I'll tell her plain She sings as sweet as any nightingale"), and yet he adds so much knockabout business that the play lasts 15 minutes more than the RSC's three hours.

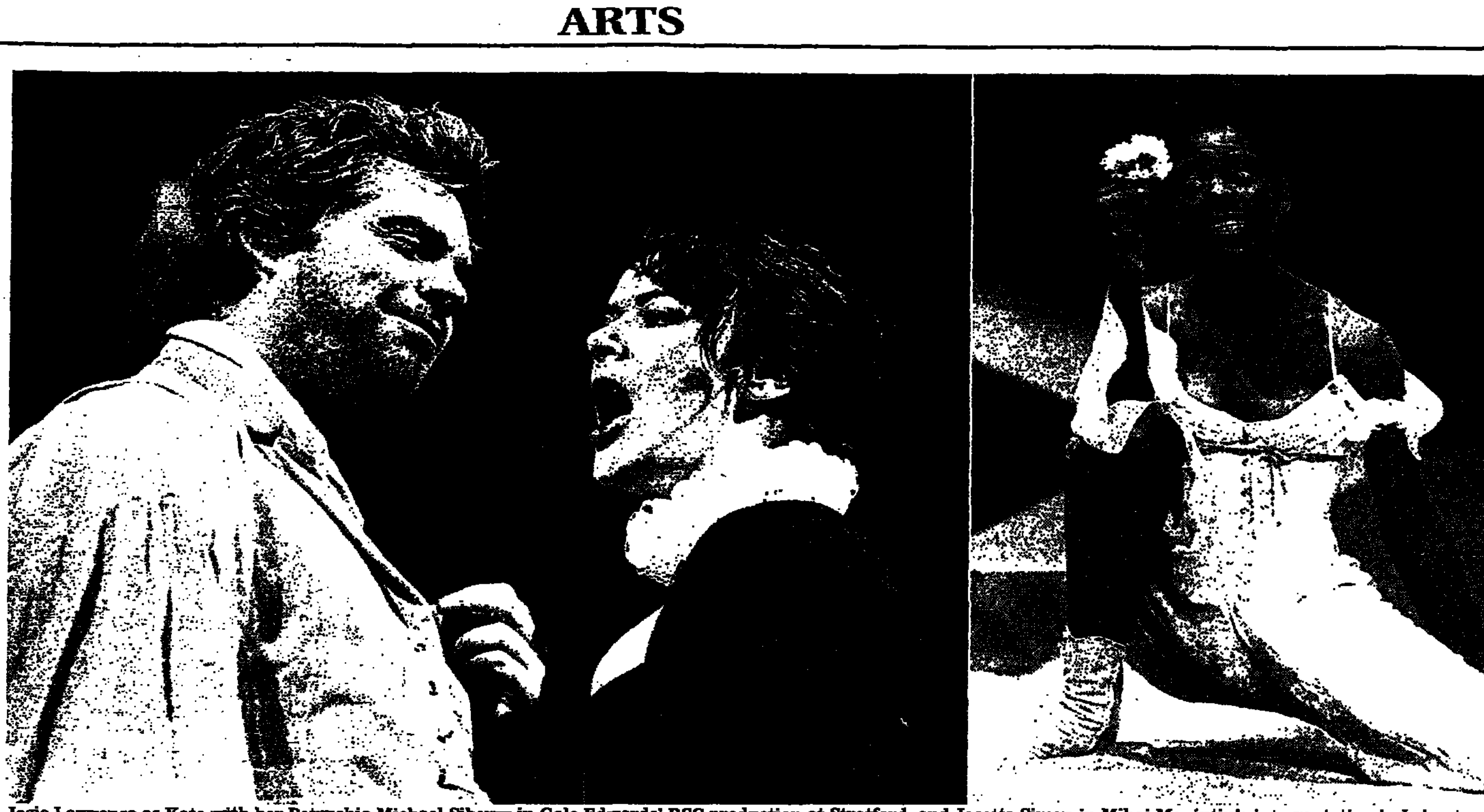
Edwards' play occurs in Padua but in a mixture of periods – with codpieces, mopeds, winklepickers, Elizabethan gowns, and a Fiat. Maniutiu's is equally transhistorical and considerably more transcultural; it includes "God save the Queen", rap, codpieces *within* trousers, boxes of chocolates, and Kung Fu. Kate fires everywhere with that damned gun at her wedding – and then faints when Petruchio dangles a giant rat in front of her. Yes, it is *that* kind of production: clutching desperately at any joke rather than trust the text.

The RSC staging abounds in cheap characterisations. Talented young Mark Lockyer, wasted in the role of Tranio, gives a facile but super-bright performance that sums up the whole show: a sub-Presley spiv who takes Ventolin in moments of panic. At Leicester, however, characterisation is merely an occasional device, suspended by one and all in the pursuit of gags. Nonetheless, young Richard Cant – recently acclaimed as Adam and Audrey in Cheek by Jowl's *As You Like It* – is a funny and personable Lucentio, with his happy, blank, trusting face and his wide, thoughtless mouth. The Leicester Petruchio is James Macpherson, a performance of amiable if unarresting simplicity.

The only outstanding performance in either production, however, is the RSC Petruchio of Michael Siberry. His very voice – with its chest tones so inimitably focused in the mask of the face, and its natural vibrato – is at once leonine and urbane. He has robust, radiant, relaxed, virile charm; any occasional touch of hark-at-me hamminess is entirely in keeping with his braggadoccio character. It would be good to see his virtues brought to bear on Richard III; or Mark Antony; or Oberon.

His performance apart, however, it is true to apply to this play the rueful remark the critic David Vaughan once made about *Swan Lake*: the worst *Taming of the Shrew* is the one you are watching.

The Taming of the Shrew is in RSC repertory at the Royal Shakespeare Theatre, Stratford-upon-Avon, for the rest of 1995, and continues at the Leicester Haymarket until May 13.



Josie Lawrence as Kate with her Petruchio Michael Siberry in Gale Edwards' RSC production at Stratford, and Josette Simon in Mihai Maniutiu's interpretation in Leicester

The sorry tale of two 'Shrews'

Alastair Macaulay defends Shakespeare's comedy against misintepretation and cheap characterisation

The Killing of Sister George

As a comic portrait of internecine warfare among lesbians working for the BBC, Frank Marcus's 30-year-old play *The Killing of Sister George* leaves something to be desired; but Frank Rayment's new production of it leaves much, much more.

This is a coy, quaint, artificial, unorganic account of a play that was once audacious. Homosexuality in recent years has become an increasingly frequent subject on the West End stage, and the last thing that is needed in a revival of *Sister George* is timidity. Yet timidity is what underlies this production. It is as if the three leading actresses were terrified that we might actually think they were intimately involved in their roles. And the central problem is the performance of Sister George given by Miriam Margolyes.

Four years ago, in her own one-woman show *Dickens's Women*, Margolyes gave an unflinching interpretation of the lesbian Miss Wade in *Little Dorrit*. She delivered the opening paragraphs of the astonishing chapter "The History of a Self-Tormentor" with thrilling austerity, implacably and intelligently leading us, as does Dickens, into the pathetic core of one lesbian infatuation. Elsewhere in that show, admittedly, Margolyes showed a few signs of actressy cuteness; but because nothing in the show was coy, they counted for little. Now, however, perhaps because of her great popularity on American TV, she has allowed cuteness to predominate. Cuteness, and insincerity, and bad discipline.

The character Margolyes plays is June Buckridge, actress. Buckridge in recent years has won a national following as Sister George, the district nurse on a radio soap opera (shades of Mistress Niven, the district nurse in *Doctor Finlay's Casebook*, who once herself went down with foot and mouth disease). Buckridge, in private life a lesbian cohabiting with Alice "Childie" McNaught, has become personally so involved in the character she plays that she likes her girlfriend to call her "George". The fear, and then the news, that Sister George is about to be killed off and written out of the series breaks her up; and the strain this puts on her relationship with "Childie" leads to their break-up.

The play has its clichés (an exotic palm-reading neighbour Madame Xenia, the way George lets a letter of bad news flutter to the floor, and so on) and its neat shortcuts (we are asked to believe that Mrs Mercy Croft is employed by the BBC *both* as an administrator for the soap opera *and* as a weekly presenter of a poetry programme). But it has humour, some nice period detail, and some still astounding revelations about the home-life of George and Childie.

Margolyes waits for every laugh; she plays several serious or pathetic lines for laughs alone (including the ending); she endlessly does her favourite trick of stretching her already large eyes; and the way she snaps from prolonged laughter into furious indignation (in one scene with Mrs Mercy Croft) is the epitome of cheap "technique" for obvious actorly "effect". Everything is superficially entertaining; nothing comes from the gut.

Around her, Rayment has assembled a bad provincial-rep production. The timing of entrances and re-entrances is ludicrous. Each actress takes the obvious surface of her role and overdoes it. Stella Tanner's account of Madame Xenia is especially coarse, and Josephine Tewson's loud gentility as Mrs Mercy Croft is wearying. Serena Evans has some nice moments with Childie's little-girlishness and then repeats them and underlines them. Robert Jones has provided good period designs (but did Covent Garden booking forms look like that in 1965?). The production's most remarkable ingredient is the pair of trousers Margolyes wears in Act Two; I hope they win an award for special effects.

A.M.

At the Ambassadors Theatre, WC2.

A Word from our Sponsor

Antony Thorncroft reviews Ayckbourn's dark musical

We are in the near future, in *Clockwork Orange*-land. You have to wait your turn for a fire engine and, to thwart young robbers seeking drugs, chemists only sell hand creams and enemas. Alan Ayckbourn's mood has been darkening for sometime now but his latest play, *A Word from our Sponsor*, finds him at his bleakest. To make matters worse, it is a musical.

The usual Ayckbourn suspects – a clueless vicar, a repressed spinster, an alienated teenager, a gormless chemist – are planning to produce a nativity play to cheer up the community. Their venue is a railway station, long bereft of trains apart from the passing expresses. All they need is a sponsor.

The vicar (Peter Forbes, ineffably vacuous) prays for a miracle, and, amazingly, in what had been a creaking evening, gets one. Through a puff of phantom steam a devil appears, or rather two lively matching imps, male and female, who offer to cough up the cash – for a little artistic input.

Can Ayckbourn be writing about the evils of business sponsorship of the arts? Surely not, since his pet venture, a £5m conversion of the local Odeon cinema into a new theatre to open next spring, has been supported by local businessmen. There may be many instances of the devil at work in contemporary society but arts sponsorship is surely not the most blatant. Sponsors are generally in awe of artistic people.

But having saddled himself with an inane plot, Ayckbourn is enough of a pro to gloss over the nonsense. There are nice touches, like the instant playback of the musical numbers and gratefully received echoes of a sunnier Ayckbourn play, *Chorus of Disapproval*, in the ego clashes of the amateur cast.

In this case the devils, sharply played by Kate Areneil and Dale Rapley, really do have the best of John Pattison's tunes, which tend to tinkle along in a happy-clappy youth club sort of way. There is also a sympathetic performance from Sophie Winter as Gussie, surprisingly in love with the married vicar who finds it impossible to express his feelings.

Less a fight between good and evil, this is more a tussle between two plots. The devils' surprisingly ineffectual attempts to take over the nativity play shares the action with the personal tangles among the cast, whose cupboards are stuffed with skeletons.

Viewed as work in progress before an eventual exposure in London, *A Word from our Sponsor* has possibilities. But the current version, with uninteresting characters, an unnecessarily bleak background and a fatally shallow premise, is crying out for some Ayckbourn style, wit and insight. Since he is also the director there is little to stop a radical re-write.

At the Stephen Joseph Theatre, Scarborough.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: (020) 673 21 21
● The Age of Elegance: exhibition reflecting 18th-century Dutch art with 40 paintings by artists such as Troost, Tischbein and Ouwater; from Apr 29 to Sep 24
OPERA/BALLET
Het Muziektheater Tel: (020) 551 89 22
● L' Orfeo: by Monteverdi. A new production conducted by Stephen Stubbs and directed by Pierre Audi. Soloists include David Cordier, Howard Crook and Agnès Mellon; 8pm; May 5

■ BRUSSELS

CONCERTS
Beaux-Arts Tel: (02) 507 82 11
● Belgian National Orchestra: with the Brussels Choral Society led by Tom Cunningham and mezzo-soprano Penelope Walker. Yuri Siminov conducts Elgar's "The Dream of Gerontius"; 8pm; Apr 29
OPERA/BALLET
De Munt/La Monnaie Tel: (02) 218 2211
● Idomeneo: by Mozart. A new production conducted by Philippe Herreweghe and produced by Joël Lauwers. Soloists include Jorma Silvasti, Mathias Zachariassen; and Maria Bayo; 7.30pm; May 2, 4

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Radio Symphony Orchestra Frankfurt: Andrew Litton conducts Elgar, Walton and Britten/Dowland; 8pm; Apr 28

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● English Chamber Orchestra: with violinst/director Issac Stern and director Paul Barritt plays Tchaikovsky, Bach, Stravinsky and Mozart; 7.30pm; May 3
● Grand Classical Gala: Martin Merry conducts the National Symphony Orchestra in a programme that includes Verdi, Orff, Strauss and Ravel; 7.30pm; Apr 30
● Isaac Stern: violinist with pianist Yefim Bronfman plays Mozart, Janáček, Schubert and Bartók in a celebration of Stern's 75th year; 7.30pm; May 4
● Puccini Gala Night: Paul Wynne Griffiths conducts the London Concert Orchestra with sopranos Christine Teare and Clare Rutter, and tenors Adrian Martin and Julian Gavin for an evening of Puccini highlights; 8pm; Apr 29
Royal Festival Hall Tel: (0171) 928 8800
● Gala Concert: The London Philharmonic and Royal Philharmonic Orchestra. Sir Georg Solti conducts Beethoven's "Symphony No.7" and Bartók's "Concerto for Orchestra"; 7.30pm; May 2
● Philharmonia Orchestra: with violinist Anne-Sophie Mutter. Semyon Bychkov conducts Hindemith, Rihm and Beethoven; 7.30pm; May 3
● The Michael Nyman Orchestra: with harpsichordist Elizabeth Chojnacka and mezzo-soprano Hilary Summers. World premiere of the orchestra brought together especially for the Nyman series which includes the premiere of "Carrington"; 8pm; Apr 29
GALLERIES
Serpentine Tel: (0171) 402 0343
● Take Me (I'm Yours): a unique opportunity to touch, use, test, buy or take away the objects in this exhibition that has been selected by Swiss curator Hans Ulrich Obrist; to May 1
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Apr 29
Royal Albert Hall Tel: (0171) 589 8212
● The Masked Ball: by Verdi. Conducted by Edward Downes, directed by Patrick Young and with soloists Deborah Voight, Lillian Watson and Luciano Pavarotti; 7.30pm; May 1
Royal Opera House Tel: (0171) 304 4000
● Mixed Programme: a Royal Ballet production that includes a new production of the Sir Frederick Ashton's "Rhapsody" and the world premiere of a new work choreographed by William Forsythe to the music of Willems; 7.30pm; Apr 29 (7pm)
● The Masked Ball: by Verdi. Conducted by Edward Downes, directed by Patrick Young and with soloists Deborah Voight, Lillian Watson and Luciano Pavarotti; 7.30pm; Apr 28
THEATRE
Barbican Theatre Tel: (0171) 638 8891
● A Midsummer Night's Dream: by Shakespeare. Directed by Adrian Noble; 7.15pm; May 5
● Twelfth Night: by Shakespeare. Directed by Ian Judge; 7.15pm; May 1, 2, 3, 4 (2pm)

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● New World Symphony: Michael Tilson Thomas conducts Ives, Dahl, Bach and Copland; 8pm; Apr 29
Avery Fisher Tel: (212) 875 5030
● American Symphony Orchestra: with conductor Leon Botstein, tenor Thomas Young, baritone William Sharp and the New York City Gay Men's Chorus in a programme celebrating the 50th anniversary of the founding of the United Nations; 3pm; Apr 30
● New World Symphony: Michael Tilson Thomas conducts Mahler and his own "Diary of Anne Frank"; 8pm; Apr 28
Carnegie Hall Tel: (212) 247 7800
● Boston Symphony Orchestra: with soprano Sylvia McNair. Seiji Ozawa conducts Ravel, Schoenberg and Berlioz; 8pm; Apr 28
● Murray Perahia: piano recital; 8pm; May 2
● The Cleveland Orchestra: soloists include sopranos Margaret Jane Wray and Christine Goerke. Robert Shaw conducts Mahler's "Symphony No.8"; 8pm; May 4 (7.30pm), 5

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Daniel Barenboim: pianist and conductor with the orchestra of the Deutsche Oper Berlin in a programme that includes Beethoven; 8pm; Apr 28
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with soprano Anne-Sophie Schmidt and mezzo-soprano Jocelyne Taillon. Charles Dutoit conducts a concert performance of Debussy's "Pelléas et Mélisande"; 8pm; May 4
GALLERIES
American Center Tel: (1) 44 73 77 77
● Micromegas: works by European and American artists reflecting on scale and size; from Apr 30 to Jun 4
Musée d'Orsay Tel: (1) 45 49 11 11
● James McNeill Whistler: exhibition of works; to Apr 30
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Iphigénie en Tauride: by Gluck. Conducted by Graeme Jenkins, produced by Achim Freyer. Soloists include Carol Vaness and Keith Lewis; 7.30pm; May 4

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 13 63
● An Evening with Agnes and Ruggero: mezzo-soprano Agnes Baltsa and bass baritone Ruggero Raimondi are accompanied by pianist Ronald Schneider to play Liszt, Brahms, Ibert, Ravel and Rossini; 7.30pm; May 3
● Budapest Festival Orchestra: with pianist András Schiff. Ivan Fischer conducts Bach, Bartók and Beethoven; 7.30pm; May 2
● Viennese Mozart Academy: with clarinetist Peter Schmidl. Yehudi Menuhin conducts Mozart, Pärt and Shostakovich; 7.30pm; Apr 29
● Viennese Symphony Orchestra: with soprano Gabriela Benackova-Cap and tenor Siegfried Jerusalem. Georges Prêtre conducts Schoenberg and Beethoven; 7.30pm; Apr 28
GALLERIES
Kunst Haus Wien Tel: (1) 712 04 91
● Jean Dubuffet: retrospective with more than 140 works; to Apr 30

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Tzimon Barto. Zdenek Macal conducts Ott, Grieg and Brahms; 8.30pm; Apr 28, 29; May 2 (7pm)
● National Symphony Orchestra: with violinist Joshua Bell. Richard Hickox conducts Britten, Ravel and Beethoven; 8.30pm; May 4, 5
● Philadelphia Orchestra: with pianist Mitsuko Uchida. Wolfgang Sawallisch conducts Berger, Beethoven and Brahms; 7.30pm; May 1

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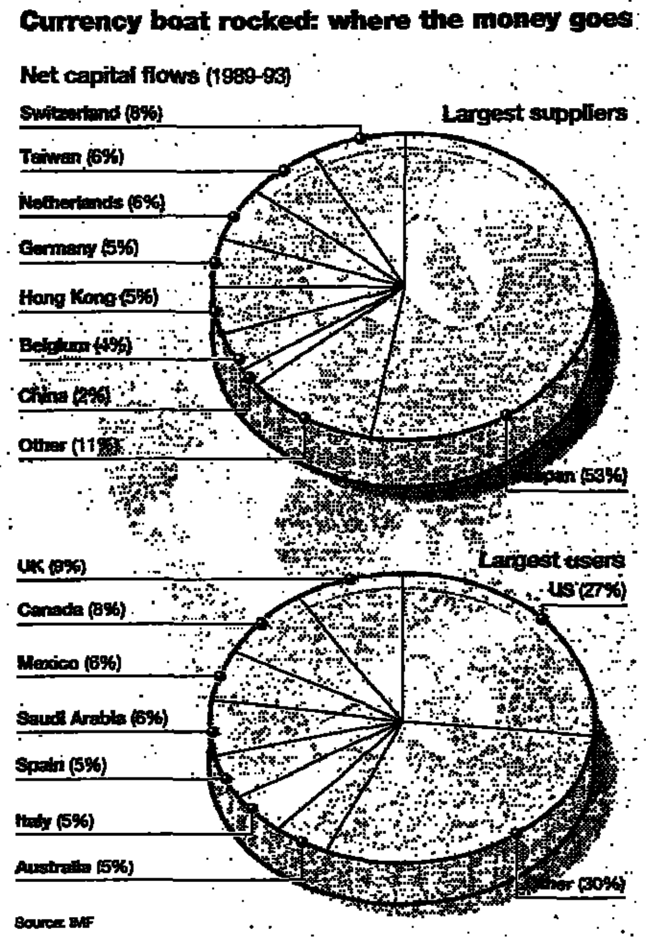

The few and the many

Peter Norman asks if the G7 is being eclipsed by the IMF's 24-member Interim Committee

International co-operation in economic policy making has had mixed reviews this week. Tuesday's meeting of the Group of Seven leading industrialised nations produced a minimalist response to the problem of the dollar's sharp fall against the Japanese yen and the D-Mark.

The G7 – comprising the US, Japan, Germany, France, Britain, Italy and Canada – lived down to the expectations of financial markets when it eschewed short-term "quick fix" measures to reverse the dollar's fall.

But by late Wednesday, finance ministers from the industrialised, developing and former communist countries were able to agree on some useful improvements to the International Monetary Fund's early warning system, in an attempt to reduce the chances of another potentially destabilising financial crisis of the kind that engulfed Mexico four months ago; the IMF's 24-member policy making Interim Committee agreed a five-point programme to improve IMF surveillance of member states' economies.

The G7, by contrast, appeared divided on the top agenda item of currency turmoil. While stating that recent currency movements had been excessive and expressing a wish for their "orderly reversal", the G7 effectively admitted that market forces were now too strong to be resisted by intervention on currency markets, and that the G7 had *been unable to muster* the political will for co-ordinated interest rate changes.

It is therefore tempting to suggest that some significant change has taken place in the pattern of international economic policy co-operation this week. Could it be that the G7's influence is on the wane, and that the Interim Committee is taking its place as the preferred forum for co-operation?

Such a scenario has attractions for many countries. The Interim Committee, indirectly representing all 179 IMF members, can claim to reflect their diverse interests. Many find irksome the G7's self-appointed role as the globe's premier economic grouping.

Mr Philippe Maystadt, the Belgian finance minister and chairman of the Interim Committee, has sought to boost the committee's role in international economic policy making. Although an acrimonious row – over plans to boost global liquidity through an issue of Special Drawing Rights (the IMF's reserve asset) - grabbed the headlines at last October's Interim Committee meeting, Mr Maystadt was able to get the 24 members to agree a "Madrid Declaration" on co-operation to strengthen the current global economic recovery.

This week, he instituted a review of the declaration and the policies adopted to secure growth. In so doing, he quietly increased the Interim Committee's role in the multilateral surveillance of IMF member states' policies.

The Belgian minister has tried in other ways to make the Interim Committee a forum that finance ministers from industrialised countries take seriously. He has tried to make the discussions less scripted and more informal and instituted a long working lunch in which policy decisions can be thrashed out.

To some extent, it is logical that the G7 should appear in eclipse. The world has changed since the mid- to late 1980s when the industrialised countries were actively seeking to influence exchange rates and each others' economies through high profile international accords such as the Plaza Agreement of 1985 to the depress the dollar and the 1987 Louvre Accord to stabilise currencies.

For nearly 20 years, the developing countries as a group have grown faster than the big industrialised countries, increasing their importance in the world economy. At the same time, the G7 nations have diverged in several important ways.

The illustration accompanying this article shows how Germany and Japan among the G7 countries have been significant exporters of capital in recent years while the US, Britain, Canada and Italy import capital. It is no coincidence that the division between stronger and weaker G7 currencies follows the same pattern.

But it is too early to write off the G7. Its members may differ and sometimes squabble among themselves but, once a policy has been discussed, they usually present a united front to the rest of the world. The compact nature of the group in contrast to the 24-member Interim Committee has contributed to a more pronounced esprit de corps, as does the fact that the G7 meets three or four times a year, whereas the committee meets only twice.

As Mr Theo Waigel, the German finance minister, argued this week, it is also a mistake to judge the G7 solely in terms of co-operation on currency markets. The group co-operates in other areas ranging from economic support for Russia to the combatting of drug trafficking and money laundering.

Nor should the Interim Committee's agreement to strengthen IMF surveillance be overstated. The build up to the Mexican crisis, which unearthed failures in the IMF's monitoring procedures, made such a move almost inevitable. Indeed, the Interim Committee could have gone further and given the five-point plan more teeth. Proposals from Mr Kenneth Clarke, the UK chancellor, for the IMF to list those countries which meet its standards on the provision of economic data and for the creation of a special "evaluation unit" to investigate IMF errors failed to secure agreement.

In spite of Mr Maystadt's efforts, the Interim Committee is hampered by its narrow remit that ties its activities to the IMF.

The G7, meanwhile, still finds it difficult to involve other nations in its work. Symptomatic of its strengths and weakness is the group's approach to the June summit meeting of G7 heads of state in Halifax, Nova Scotia. Although reform of the post-second world war international institutions, including the IMF and World Bank, looks set to top the agenda, the G7 nations have not seen fit to consult with or involve the other members of the IMF and World Bank.

Philip Stephens

Tony Blair's good war

There is no need to dwell on Mr Tony Blair's victory. We knew he would succeed in ditching his party's 75-year-old commitment to collectivism. Suffice to say that the Labour leader has had a good war on a well-chosen battleground. He has tightened his grip. He has sent packing those trade union leaders who tried to extract a price for their support. Mr Blair, we have learned, has a healthy aversion to smoke-filled rooms.

No one is going to get excited about the new Clause 4. Rumour has it that a copy will drop through the letterbox of every voter in the land before the next election. But do not hold your breath. Its wholesome, badly edited prose about opportunity, tolerance and the rest is for the chattering classes. The significance of the text lies in its blandness. It cannot be used as a reason not to vote Labour. I imagine that even Newt Gingrich would find it hard to quarrel with the idea that power, wealth and opportunity are better placed in the hands of the many than the few.

The exercise has not been a waste of time. It has told us quite a lot about Tony Blair, something about the shape of the party he leads and a bit, though less, about how Labour might govern Britain.

The most important thing Mr Blair has done is to challenge one of the more fatuous, but persistent, canards of British political debate: the notion that the social values of the middle classes are divorced from those of the less affluent. Politicians who advocate tougher policies on crime or higher classroom standards are accused nowadays of pandering to the prejudices of the middle classes.

The premise is that if you do not take your children to prep school in the back of a Volvo estate, you do not care about crime-ridden streets or hopeless schools. It is an assumption, as Mr Blair has reminded his Hampstead critics, born of appalling condescension. It is also plain wrong. By and large, the middle classes can buy their way out of the consequences of social decay, even if the financial consequences are a touch painful. The parents who walk their children to the local state primary are the ones who really worry about muggers and bad teachers.

People have short memories. Margaret Thatcher's electoral success was built on her ability to tap the support of these voters. They are called the C2s, otherwise known as the skilled working classes. Remember the C2s? Not so long ago, before someone invented a mythical Middle England, we all used to get excited about how they would vote. They were the ones who bought their council houses and, along with them, Margaret Thatcher's prospectus. Well, the C2s are still with us; and, once again, they will decide the outcome of the general election.

Mr Blair's pitch, like Mrs Thatcher's, must be to the BT engineer in Stevenage and to the gas fitter in Basildon – and, more importantly, to their wives, mothers and daughters. For all the excited chatter about which way the middle classes will jump, the votes of the Surrey solicitor and Hampshire stockbroker will be irrelevant to the election result.

The rank and file, if not the professional activists, are coming round to Mr Blair's realism

The redeployment of this pretty obvious truth about the preoccupations of the respectable working classes has allowed Mr Blair to carry with him most (no, not all) of his shadow cabinet. Take David Blunkett, the education spokesman. Mr Blunkett has long been a figure of suspicion among the modernisers. He has never been much impressed by New Labour's sharp-suited imagemakers. But talk to him about standards in the classroom – or, for that matter, about law and order – and Mr Blair begins to sound the trendy liberal. Mr Blunkett prospered through the state education system; so he knows why it matters. The Socialist Workers Party branch of the National Union of Teachers will soon have a lot more to shout about.

The C2s are the people Mr Blair has to persuade also of his economic policy. Those of us in the commentating classes are the softest of touches. A few well-chosen warnings to welfare scroungers and the odd note of concern about the heavy tax burden on teachers or police officers buy plenty of sycophantic column inches. Whatever they tell the opinion pollsters now, real people will take more convincing that a Labour government would not tax and spend for its own sake.

Gordon Brown, the shadow chancellor, hopes to start persuading them otherwise as soon as the Clause 4 debate is out of the way. He has scheduled four big economic policy speeches during May, the first next Monday. Mr Blair will fill in any gaps with two lectures of his own. Neither man intends to issue a set of tax tables. Why should they? Kenneth Clarke does not yet have a clear idea of what he will do in his Budget, and that is five months, not two years, away.

Precise figures anyway are far less important than principles. As a starting point Mr Brown needs to convince the voters he accepts that an overall tax burden of about 40 per cent of national income is high enough. That is more than they were paying under the last Labour government; and making the Cedric Browns of this world pay even quite a lot more is not going to pay for many new schools or hospitals. Nor is there any room to increase the structural component of the public sector borrowing requirement. So any extra spending will have to come from savings elsewhere or from future increases in output, what we used to call the growth dividend.

Those assurances are necessary but not sufficient. My guess is that plenty of people would forgo willingly future tax cuts if they were confident that the money would be spent efficiently on better schools or on improving the health service. The vast majority, after all, cannot buy their way out of Virginia Bottomley's NHS reforms with private health insurance or pay for the small classes marketed so effectively by private schools.

But would Labour do it? Much more likely, isn't it, that, for *all his* good intentions, Mr Blair would not be able to resist caving in to the union leaders? They will want something for their money once he is in 10 Downing Street.

Which brings us to the shape of the party Mr Blair leads. His victory at tomorrow's special conference will be resounding because he has secured the overwhelming backing of local parties. In constituencies which have held ballots, the pro-change majority has averaged more than 80 per cent. Save for a tiny handful, those delegates voting to retain the old Clause 4 come from areas where local members have been denied a say. The rank and file, if not the professional activists, are coming round to Mr Blair's realism.

The bandwagon among individual members also ensures him a majority among the union delegations at the conference. They still wield 70 per cent of the total vote, compared to the 30 per cent held by local parties. The two biggest delegations, from the TGWU and Unison, may well underline their contempt for their own members by voting to preserve the past. But most of the other unions will be shrewd enough to back Mr Blair.

The process, though, provides a reminder of one of life's simple rules. Change has a momentum of its own: *it* demands more change. The structure of the Labour party is as outmoded and irrelevant as the original Clause 4. The unions' domination of its institutions and the demand for state ownership were born at the same time, from the same understandable but misplaced assumption that labour would remain in permanent conflict with capital.

Now, the – albeit theoretical – power of a few union leaders to overturn the decisions of hundreds of thousands of individual party members speaks as eloquently as did the words of Sidney and Beatrice Webb, of the need for change. Tomorrow can only be the beginning; and I suspect Mr Blair knows it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Notions offer a competitive advantage

From Jonathan Gosling.

Sir, Victoria Griffith has recently drawn attention to long overdue changes in US business schools curricula ("Re-engineering for business schools", April 7). Greater emphasis on *leadership*, interpersonal relations and individual reflection recognise that *management is as much about* the way things are done as about deciding what should be done. The changes bring the 'Administration' back into MBA, where for so long the 'A' has stood for 'Analysis'.

They may reflect a fundamental shift in thinking about education towards "character building" and away from "knowledge filling".

There is a third kind of business education beginning to find expression in the UK. This is typified by Lancaster University's MPhil in Critical Management. Participants study how organisational and business problems are framed and constructed; the distribution of power through discourse and rhetoric; and narrative conceptions of causality in contrast to dominant linear scientific modes of thinking. That might seem like an overly philosophical and cerebral approach, but it focuses the reasons why so many apparently attractive models and techniques prove in the end to be mere fads, masking the ambiguity and complexity that is the real *stuff of managerial work*. Executives on the course find it a relief to be able to think about their way of thinking, rather than urged to adopt the latest fashion. That approach also opens up the ethical aspects of managerial decisions and *choices*.

Re-engineering the production-oriented business schools is a good idea; examining what makes ideas good is also worthwhile, and is a peculiarly British innovation (though there are already signs that *Japanese schools are moving* in the same direction). It might be termed "The Competitive Advantage of Notions".

Jonathan Gosling,
senior fellow,
The Management School,
Lancaster University,
LA1 4YX

World Bank and IMF should write off debt of the poorest countries

From Mr Paul Spray.

Sir, The US suggestion ("World debt crisis facility proposed", April 25) for yet another forum to tackle Third World indebtedness may do some good. A much more practical step would be for some of the debt owed to the World Bank and IMF by the poorest countries to be written off.

The 32 Severely Indebted Low Income Countries (Silics) owe as much as \$26bn (£16bn) to the World Bank. But the most pressing World Bank debt owed by the poorest, apart from Nigeria, is only \$3.7bn and could be written off.

The British government's gold sales plan for IMF debt should be supported and something like the "Naples Terms" are needed for World Bank debt.

Officials and bankers admit *privately* that the World Bank could and should write off large chunks of debt. It has reserves of \$14.5bn and a provision against losses of \$3.3bn.

A quarter of the debt owed by the Silics – which include Rwanda, Vietnam and Nicaragua – is owed to the multilateral institutions. Robert Rubin, US Treasury secretary, should urge the bank and the fund to tackle this particular debt burden without delay.

Paul Spray,
campaigns and policy director,
Christian Aid,
PO Box 100,
London SE1 7RT, UK

Defensive attitudes across the Channel are holding back UK's electricity companies

From Mr David Porter. Sir, The report that Europe's competition commissioner may act against obstructive utilities is good news for British electricity businesses ("EU showdown over energy", April 8).

Experience in Britain has shown that over-manned, state-owned electricity boards can be turned into competitive companies. Just as important, as recent reports show, that is good for customers, too ("Big energy users win price cuts", March 31).

Unfortunately, our electricity companies' ability to exploit their experience in the market closest to home has been held back by defensive attitudes *across the Channel*.

Of course, cosy utilities do not like the idea of intruders having access to their networks, but it is disappointing that the Treaty of Rome may have to be invoked to overcome their resistance.

It would be better if customer pressure made legal action unnecessary – but which customers are prepared to challenge their monopoly power providers?

David Porter,
chief executive,
Association of Independent Electricity Producers,
41 Whitehall,
London SW1A 2BX, UK

Freedom of choice for students would reform UK's universities

From Mr Alasdair Smith.

Sir, Your leader "University reform" (April 24) rightly argues that university funding should come from student fees (with state loans available) rather than directly from the state. But then you lose confidence in the disciplines of the market and advocate tougher government direction to protect vocational education.

The nature of universities is such that managers, both internal and external, have limited control over the allocation of effort by academics. Without the right incentives, institutions will be run in the interests of teachers, rather than students.

At present, the pay and prestige of individual academics is little affected by the quality or relevance of our teaching, with the result that we try to allocate as much time as possible to research rather than to teaching, and to teach the things we like to teach rather than the things our students want or need to learn. The system displays the "mission drift" you *deplore*.

An increase in the already oppressive degree of government regulation of universities is not, however, the solution.

Much better to give students full freedom of choice as to where to take their custom and their fees. Then those who do a good job of meeting student needs can be properly rewarded for their efforts. Those who are capable of delivering high-quality research can earn their incomes in that way.

The diversity of needs will be reflected in institutional diversity only if decision-making is in the hands of consumers, rather than in the hands of producers or bureaucrats.

Alasdair Smith,
Sussex European Institute,
University of Sussex,
Brighton BN1 9QN

Truth and the dollar

From Mr Gérard Legrain.

Sir, Your leader ("Truth about currencies", April 22) was refreshing. Politically correct journalism is as bad for democracy as for grey weekends. A pity, though, that you chose France (!), the UK (!!), and Italy (!!!) as benchmarks to establish US financial integrity. I thought the markets had chosen the mark and yen as *foul-weather alternatives*.

Although US financial behaviour, public and private, is not commendable across the board, the problem is that, for the long haul, the dollar is proportionately too big a currency not to play a prominent role. *Less than ideal* benchmark it may be, but benchmark it will remain until there are durable (ie. big) alternatives – a single European currency for instance.

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88 Lansdown Road,
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FINANCIAL TIMES

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Friday April 28 1995

Priorities in world trade

On Monday, Mr Renato Ruggiero, will take over as director-general of the World Trade Organisation (WTO). He inherits from his predecessor, Mr Peter Sutherland, the fruits of the successfully completed Uruguay Round. That achievement has done much to strengthen the credibility of the liberal world trading system. For all that, Mr Ruggiero and the WTO face big challenges. Not least among these is an incontinent enthusiasm for free trade arrangements (FTAs).

Recently, Mr Klaus Kinkel, the German foreign minister, argued that the next step after the round should be the establishment of a Trans-Atlantic Free Trade Area (Tafta), to bind the two continents' destinies and provide momentum to the next wave of global trade liberalisation. This proposal follows on the heels of a meeting of the Asia-Pacific Economic Co-operation forum (Apec), in Indonesia in November of last year, when the group committed itself to free trade by 2020, with the industrial countries committed to reach that goal by 2010.

These are momentous ideas, as Mr Ruggiero promptly recognised in response to Mr Kinkel's advocacy of Tafta. Mr Ruggiero even admitted that he had favoured such proposals when Italy's trade minister in the late 1980s. But he now fears that efforts to create a free trade area would distract US and European Union attention from the multilateral system and could be internationally divisive. This it certainly would be, not least by excluding Japan.

Desirable aims

The doubts are not about whether something should be done to reinforce transatlantic relationships or, in the case of Apec, those between the US and Asia. Both aims are desirable. Nor are all FTAs to be condemned. They can be – and, according to a report from the WTO secretariat this week, often have been – complementary to multilateral liberalisation. The growth in the number of these arrangements – to a total of 108 at the end of 1994, 33 of which have been notified during the 1990s – has, it appears, not prevented inter-regional trade from becoming more important in national economies throughout the post-war period. Concern should, instead, be focused on those arrangements that would cover all the main trading powers.

Any FTA or customs union provides the benefit of lower internal barriers to trade and imposes the cost of discrimination against outsiders. Discrimination creates economic costs. FTAs, in particular, impose often complex and protectionist rules of origin. Discriminatory arrangements also impose political costs: they anger those left outside, while the negotiations divert limited diplomatic capacity from other objectives.

Incentive for outsiders

Preferential trading arrangements do create an incentive for outsiders to negotiate global liberalisation, with a view to reducing the effect of the discrimination upon them. But they also create an incentive for insiders to preserve their discriminatory advantages. Thus, in essays about to be published by the American Enterprise Institute, Professors Jagdish Bhagwati and Anne Krueger, both distinguished international economists, argue that the discriminatory lowering of trade barriers may be globally harmful.

Fortunately, hitherto most such arrangements have had only limited effects on the rest of the world. That should be true even when one of the participants is itself a great trading power, as in the North American Free Trade Arrangement (Nafta). But Apec and Tafta are different in kind, because they are different in degree. The former covers over 40 per cent of world trade; the latter more than half; and the two together 80 per cent. The negotiations within either of these groupings would cover all significant issues and players. What would be left for the WTO? What could be the feelings of those left out of either, let alone both?

If two groupings that contain almost all of the world economy are prepared to talk of free trade, the sensible option must simply be global liberalisation. The question *should* therefore *not* be what the members of Apec, still less the EU and US, can do with one another. The role of the transatlantic alliance in the post-cold war era should be to promote global liberalisation, not fall into the snare of an exclusively bilateral relationship.

Most of us will be losers

All of us will be winners, Mr John Major, the prime minister, declared before the start of the National Lottery. There was never much ground for that assertion; there is less now. A second observation, that "the combination of millionaire winners and huge benefits to good causes is immensely attractive" looks similarly implausible. After 23 weeks, the lottery's unattractive features are glaring.

The UK's lottery has followed the pattern of those in other countries in being highly regressive, in the sense that most of the revenues are raised from the least well-off in society. In the UK's case, more than three quarters of tickets are bought by the lowest socio-economic groups.

The manner in which the proceeds of the UK lottery are to be spent exacerbates its regressive characteristics. As expected, the people who pay most into the lottery will not be the main beneficiaries. The announcement this week of the first "good causes" which will receive substantial cheques suggests that the chosen projects will be of most interest to the well-off.

Indeed, it is hard to see how the selection could have got off to a less populist start than the £9m purchase of a Scottish hunting lodge and grouse moor, and the £13.25m purchase of Sir Winston Churchill's historic speeches and papers. In both cases, lumps of the cash went to private individuals. In the Churchill case, the trustees' right to some of the papers had already been the subject of legal challenge by the government, although Mr Major told parliament yesterday that ownership was not in doubt.

Irrational pursuits

The spectacle is likely to be repeated. Over the next seven years, the lottery is expected to raise £9bn for such causes. Panels of the great and the good will decide its destination. The task of squeezing large amounts of money, mostly in small parcels, into arts, heritage, sports, and projects to celebrate the millenium, will lead to arbitrariness, intense lobbying of the panels, and inevitably, to waste.

The lottery has diverted considerable sums from rival gambling outlets, even though the odds against winning the jackpot – of 14m to one – are much higher than those in many other kinds of gambling. It appears that the nature of people's irrationality makes the lottery more of a natural monopoly than was suspected: people seem to prefer a one in a million chance of winning £1m, than a one in a hundred chance of winning £100.

Perhaps most important, it has sucked money from direct charitable contributions. People appear to feel that because part of the lottery proceeds go to charity, their consciences are assuaged. The long term impact is not yet clear, but despite the lottery's own donations to charity, some charities will undoubtedly suffer.

The lottery, and the televised announcement of the winning numbers, clearly gives pleasure to many people. If they want to spend money on irrational pursuits, they should be allowed to do so. But the past week's events confirm the case, voiced by many before the lottery's launch, that the manner of doling out the proceeds should be changed. Entrusting the fate of such largesse to the great and good is unacceptable.

Televised poll

One option would be to return all the proceeds, apart from the share taken by the lottery organisers and tax, to punters. That would at least not give them the false comfort that they were satisfying their charitable inclinations through buying a lottery ticket. Another would be to treat the lottery explicity as a tax, and pour the proceeds into public finances.

Those options would no doubt prove unpalatable to politicians, in that they would expose the true nature of the lottery: a mixture of folly, greed and entertainment. If part of the proceeds must be hypothecated to good causes, one answer is to specify the beneficiaries more clearly in advance.

Another solution would be to find a more democratic way of deciding what most deserves the cash. A televised poll of people's views on possible projects would help introduce the missing populist element. Without that note, the sight of large sums pouring into causes of dubious merit may turn public sentiment against the lottery.

Bosnia's nightmare brew of problems

Bruce Clark and **Laura Silber** on the grim choice for peacekeepers between the risks of staying or leaving

It seems a long away from the neatly cultivated flatlands of north Germany and the breezy, multilingual bonhomie of a small Nato exercise, to the hills of Bosnia-Hercegovina where war is conducted without recourse to rulebooks or plans.

Yet that distance was narrowing this week as Nato chiefs fine-tuned their contingency plans for a possible evacuation of the UN's 20,000 peacekeepers from the Bosnian war zone.

The expiry this weekend of a four-month truce between the warring factions and the near collapse of international attempts to bring peace to Bosnia have presented all countries involved in the region with a grim choice: between the risks of staying and the risks of leaving.

General Michael Walker, the British commander of a mobile land headquarters that would be at the centre of any withdrawal, stresses that no decision to pull out has yet been taken. He believes that "the UN is doing an amazing job" in relieving Bosnia's humanitarian plight, and hopes it will continue that job as long as possible.

But to be on the safe side, Gen Walker has spent the past three weeks schooling his forces in the art of dismantling, packing and rapidly reassembling a command centre with enough equipment to coordinate an army of 100,000.

"We have undertaken contingency planning for Bosnia," the general says, choosing his words carefully. "The plan is developing on a continuous basis, and it will be kept up to date as the situation evolves."

In practice, the number of Nato troops required to extract the UN from Bosnia would be closer to 40,000, according to military planners. But that would still amount to the toughest military mission in Nato's history.

Apart from the operational hazards, a contested pull-out from Bosnia would conjure up a nightmarish brew of legal and diplomatic problems. Planners assume that disputes among the allies over command, control and intelligence-sharing would melt away in the face of an overwhelming challenge. But only experience will show whether that happens in the heat of a Bosnian pull-out.

Nato commanders have insisted that their organisation must be in undisputed command of the pull-out: the much-resented dual key under which the UN and Nato have shared responsibility for air power in Bosnia would disappear. But the whole idea of amicable co-operation between UN and Nato requires an enormous leap of faith, after a year in which the two organisations have quarreled repeatedly over tactics in the former Yugoslavia.

Tricky legal questions could arise over the status of UN forces during the pull-out. Apart from the troops of eight western countries, there is a contingent from Russia which has always looked to Moscow for instructions. There are also troops from Moslem states such as Pakistan, Bangladesh and Malaysia which make no secret of their sympathy with the Bosnian government and might want to stay.

Yet in spite of the difficulties, talk of bailing out has grown louder in recent days. France, infuriated by the cold-blooded killing of two of its soldiers in Sarajevo, has reiterated warnings that its contingent may withdraw unless conditions can be made safer.

Russia, too, is reviewing the future of its peacekeepers in the Serb-held outskirts of Sarajevo. And the UK has served notice that it wants to give up by September the burden of protecting the enclave of Gorazde, one of the "safe areas" for Moslems which the Serbs would certainly seize if fighting were renewed.

Senior diplomats from the "contact group" – the US, Russia, UK, France and Germany – will meet in Paris today for a last-ditch effort to extend the ceasefire. This crumbled in March when the Bosnian government forces launched a series of offensives, and the Serbs tightened their grip on Sarajevo. In those offensives, government troops have captured the strategic heights of Mount Vlasic in central Bosnia, gained some ground on Mount Treskavica, south of Sarajevo, and harassed Serb forces in the vital corridor which links Serbia with its kinsmen in Bosnia and Croatia.

US officials have expressed fears that the formal end of the ceasefire on Monday will open the way for a large-scale counter-offensive by the Bosnian Serbs. Other experts discount the possibility of a rapid surge in fighting: the Serb forces are over-stretched and short of fuel, while the forces of the Moslem-led government are still short of heavy weapons and dependent on a fragile relationship with their Croat partners.

But even if all-out war can be staved off for a few more months, it will only be because the warring parties are restraining themselves, for temporary and tactical reasons. The ability of anybody else to restrain them is doubtful.

Whatever the outcome of today's meeting in Paris, it is clear that the warring factions have become less amenable to pressure from outside powers, which are finding it much harder to agree among themselves. Ill-concealed bickering over the stance the contact group should adopt towards Slobodan Milosevic, Serbia's president, has highlighted its members' differing priorities in the Balkans.

The bickering sounds pedantic. Russia says all sanctions should be lifted from Serbia in return for Mr Milosevic acknowledging the existence of Bosnia as a loosely structured "union" of a Serb entity and and a Croat-Moslem federation.

Washington believes Moscow (and to some extent London and Paris) are too soft on the Serbian leader. The US insists on a tougher offer: partial relief from sanctions in return for full recognition of the Bosnian state.

Differences between the contact group may be patched over by intricate word-games. But there remains a fundamental gap between the US opinion that Mr Milosevic is a long-term danger to the stability of Balkans, and the view of London, Paris and Moscow that he is a man to work with.

Sensing the world community's weakness, the Bosnian Serb leader Mr Radovan Karadzic has been intensifying pressure on the UN. By refusing to guarantee the safety of flights and vehicles in and out of Sarajevo, he has left the peacekeepers desperately short of fuel. Named as a suspected war criminal by the International Court of Justice this week, Mr Karadzic has less incentive than ever to seek rehabilitation in the eyes of the world by suing for peace.

Until recently, threats by the UN to abandon the scene and attempts by Mr Karadzic to test the limits of UN patience were dismissed by many observers as moves in the Bosnian game of bluff. But now there is a more serious edge to the stances adopted by both sides.

Previous threats by the UN to pull out have served to extract concessions from the warring factions, which needed the peacekeepers to supply food and fuel to their people and to restrain their enemies. But that tactic only worked in the past as long as the parties – in their hearts of hearts – wanted the UN to stay. Now, the case for retaining the UN is not looking so strong for either the Bosnian Serbs or the Bosnian government.

For Mr Karadzic, a messy UN pull-out could bring the sort of all-out war in which Serbia would have no choice but to come to his aid. On the government side, advocates of the war option take comfort from the expected introduction, before May 15, of a bill in the US Congress to authorise the supply of weapons to the Bosnian army.

If it turns out that one or both the warring sides really wants the UN to leave, then the peacekeepers will have no option but to do so, with all the giant diplomatic and military risks that such an operation involves.

Mystery markers to unmask copycats

Jenny Luesby on a two-minute biotechnology test that can prove – covertly – if goods are of counterfeit origin

Global trading of counterfeit goods, growing at an estimated 20 per cent a year, is proving disastrous for some manufacturers.

In 1992, when counterfeits accounted for 5 per cent of world trade, the European Commission estimated they were costing Europe 100,000 jobs a year. The US has claimed that counterfeit goods from China alone are costing US manufacturers an annual $1bn.

"But it is a myth that counterfeiting is confined to higher value goods, or that it is predominantly in trade from east to west," says Mr Martin Swerdlow of the Centre for Exploitation of Science and Technology, funded by government and industry to develop technical solutions to such problems.

"Products as basic as shampoos, soaps and toothpastes are being affected. Nothing is immune. And it is a way of destroying companies: their brand integrity is undermined, and even their viability," he says.

However, a new product devised by a British biotechnology company would, say the manufacturers, help deter copycats.

It is a so-called marker that can be added to everything from insecticides to plastic without affecting the consumer. According to York-based Biocode, it takes only a few hundred parts per billion of the everyday additive to mark the product, and a simple two-minute test can prove origin in the event of a dispute.

Without the test, the marker cannot be smelt, tasted, seen or even found in a detailed chemical analysis – thanks to molecular biology, and the ability to produce an antibody to anything.

A living body will naturally develop antibodies to large molecules. Scientists use this reaction in mice to produce antibodies, which are then cloned in the laboratory and used to detect the presence of an original molecule in medical diagnostic kits.

The challenge for Biocode was to adapt this technique so that antibodies could be produced for small molecules that the human body would not normally react to. It did so by combining a molecule from a product such as a food colouring with a large protein molecule. Inserted into a mouse, this produces its own unique antibody, which when cloned will bind with the original small molecule, even in the absence of the protein.

The result is a bank of paired molecules. The original, drawn from a standard ingredient, can be inserted into a product in minuscule quantities. And the antibody can be used to detect its presence in a test kit of the type used for testing pregnancies – no bigger than a matchbox, and capable of producing a result anywhere, within minutes.

This formula has seen Biocode's turnover double in the last year, to an expected £2m in 1995, and the company predicts sales of £50m in five years' time.

Its customers use the markers to protect themselves against false liability claims, price undercutting and the dilution of products, says Robin Jenkins, Biocode's operations director.

The first user, in 1993, was a manufacturer of high-specification insulating foam, who was being sued for the failure of foam which he had not produced but which had been sold as his.

Since then, Biocode has developed a series of markers for a European agrochemical producer. Its agrochemical company's technical director says: "We were coming across one of our own insecticides, produced for bulk producers in Latin America, in Europe – where it was being marketed as a premium product for small crop growers, at a price that would not have been economical if the product had been what was claimed."

There has also been widespread counterfeiting and dilution of the company's insecticides in the developing countries, he says, with disastrous results for farmers. "Suppliers were either stretching products by adding water, or alcohol, or even just refilling old packaging with any liquid to hand."

Drug producers have also been vulnerable to this kind of practice, but introducing a marker into a drug requires stability tests to establish that it is not interfering with the efficacy of the drug.

Another solution, taken up by a European drugs company, was an adaptation which allows the Biocode to be used as invisible ink on the surface of sealed packaging.

To test the label's authenticity, a solution containing antibodies is applied. This should bond with the manufacturer's marker. When a second solution containing a dye is painted over this, it should reveal a printed authentification message.

Thousands of labelling systems are being developed to identify original products, including holograms, DNA tagging, and heat and light sensitive invisible inks. But there is a general consensus that Biocode's technology, patented in Europe and the US, is simpler, quicker and more specific to each product than most other solutions.

OBSERVER

Say nothing, sell even less

■ Turkey looks like it has at last found the ideal boss for its sputtering privatisation programme, with the appointment yesterday of Ufuk Söylemez, 38, a protégé of Prime Minister Tansu Çiller.

He even has a surname to go with the job: translated it means "he who says nothing". Which is really quite appropriate, considering that Turkey has given up on seeing any real privatisations for some time.

So far this year the government has sold off about $70m-worth of state companies.

Çiller doubtless hopes the virtues of silence could be drummed into privatisation minister Ali Sevki Erek, who this week aired the optimistic view that "privatisation is continuing efficiently at its maximum speed. It is not possible to adopt arguments that privatisation is a fiasco."

Wright might

■ Peter Wright, the former MI5 intelligence officer whose memoirs caused a stink in the mid-1980s, is no longer with us. He died yesterday, aged 78, at his home in Tasmania, to where he moved in 1976.

In the wake of the UK government's unsuccessful legal battle to stop Wright publishing his *Spycatcher* memoirs, it was made clear to him that if he tried returning to Britain he could be prosecuted for breaching the Official Secrets Act.

But the old boy may yet have the last laugh. According to one family member yesterday, he requested his ashes be scattered over the waters of the Blackwater Sailing Club in southern England.

Wright will also live on in the offices of Malcolm Turnbull, the republican lawyer-cum-banker who represented him in the legal proceedings. Turnbull may have swapped the law for corporate and financial advisory work, but visitors to his Sydney-based firm, Turnbull & Partners, are still ushered into a room festooned with cartoons from the trial.

Swampy reserves

■ Next Monday, May 1, is Maharashtra's Independence Day and a holiday in Bombay, its capital. We now may have to use its original name, Mumbai, if the extreme nationalist Hindu group Shiv Sena – which wrested power in India's richest and most industrialised state with its ally, the Bharatiya Janata party – gets its way.

Mumbai derives from Mumbadevi, patron goddess of the original fishing inhabitants of this swampy area, given by the Portuguese to England in 1661 as Catherine of Braganza's dowry when she married Charles II. Seven years later the East India company leased it for an annual rent of £10 in gold. Neither the Portuguese nor the British could pronounce Mumbai and re-tagged it Bombay instead.

Bombay, Mumbai, whatever – foreigners now pouring into a liberalising India's commercial capital still think it's pronounced Cash.

Siege mentality

■ Dislodging a deposed president can sometimes be a tricky business. Take for instance Yuri Meshkov, former president of Crimea, a Ukrainian autonomous region.

On March 16, a thoroughly discredited and unpopular Meshkov was theoretically removed by a parliamentary vote which abolished the office of president.

But he is refusing to budge from his top floor office in the Crimean parliament building. Police are reluctant to winkle out Meshkov – a former KGB marksman, he often sports a holster – from his penthouse. So he stays, even though he's without his beloved guns.

Vitali Kirichenko, the Ukrainian police chief, yesterday expressed the hope that Meshkov would "independently realise the inexpediency of continuing his stay and leave the building."

Poor Kirichenko, expected to quell unrest on the separatist-minded peninsula, complained Meshkov's staff – now barred from the building – are treating his men "rudely".

Royal flush

■ Whatever Hong Kong has to offer, when it comes to culture the territory is still as much a barren rock as ever. Now the Urban Council – which might be thought to have an interest in keeping quiet about it – has delivered a damning indictment; it's using the Hong Kong Cultural Centre to host the International Symposium on Public Toilets 1995.

Some 450 delegates will descend on the Centre to discuss such arcane matters as the behaviour of toilet users and the design and development of public toilets.

The real crowd-puller comes on May 27, when the lucky overseas visitors will be taken on a tour of... local toilets.

With the temperature and humidity soaring, the event should be irresistible.

It's an ill wind

■ North America has enjoyed one of the warmest winters on record but that has lead to nothing but gripes from companies. As people saved on heating, the oil majors have moaned about weak margins for fuel and Quaker Oats said yesterday that sales volumes of hot cereals were 14 per cent down.

The Financial Times

50 years ago

An Investor's Notebook
I hear of a man who recently inspected certain plantations in the Far East recaptured from the enemy. These, he declares were looking extremely well, but he says that one small plantation was completely destroyed by the Japanese, who cut down the trees to make barricades, trenches etc. The point he wishes to emphasise is, that where in most cases no harm was done to plantations during Japanese occupation, when attacked and being driven out there is always the possibility of their destroying trees as a matter of defence.

What Will You Have?
There has been quite knowledgeable buying recently of Cinzano shares, now about 9/9 *(9 shillings and 9 pence (£0.49))*. This company has one unusual feature in that the shares are now of no par value, but that should not deter the buyer for capital appreciation. The mention of the name whets the appetite immediately and conjures up memories of drinks both short and long with a real zip in them. But the dislocation in world trade has struck hard at this company.

FINANCIAL TIMES
Friday April 28 1995

CD tracks fade in the Amazon

Competition is putting pressure on a remote free trade zone in Brazil, explains Angus Foster

Pick up a compact disc in Brazil and chances are it will have the surprising words "made in the Amazon" stamped on the back.

The free trade zone in the west Amazon town of Manaus has become a favoured location for CD makers, who then ship the discs 3,000km to the main consumer markets of São Paulo and Rio de Janeiro.

But the Manaus zone exists only because of tax incentives and government subsidies, which were pumped into the region from the late 1960s. With the liberalisation of the economy in 1991, the expense of promoting high-cost high-technology in the jungle has become increasingly apparent to the government of President Fernando Henrique Cardoso.

However, only this month, on a visit to Manaus, Mr Cardoso pledged that the region's tax breaks would remain in place until at least 2013. Nevertheless, both government officials and businessmen are asking whether the zone has a future in a free market economy.

Manaus prospered while the Brazilian economy was closed to imports. Multinationals like Sharp, Philips and Gillette came to the zone to export to the rest of Brazil.

But with Brazil's economic opening and falling import tariffs in the last four years, Manaus has lost some of its raison d'etre. The government does not dare withdraw the subsidies in case unemployment explodes.

The zone, which lies alongside the black waters of the River Negro, started to develop in 1967 when Brazil's military rulers decided to develop the western Amazon, partly for security reasons, using Manaus as a development hub. like , The zone expanded rapidly and by 1990 directly employed 80,000 people and had annual sales of $8.4bn.

The economy's opening in 1991, and a severe recession, saw sales collapse to $4.5bn in 1992 and employment cut in half as companies restructured to compete with imports.

"Companies who had gone there had never needed to worry about competing. But with the economy's opening, Manaus had to incorporate into the real world," according to Mr Sergio de Mello, secretary of industrial policy.

By the end of last year, the worst of the shock seemed over. Sales had recovered to their 1990 level and direct employment had steadied at about 50,000 jobs.

Mr Manuel Silva Rodrigues, the zone's superintendent, says interest in Manaus is growing again and that sales this year will be up 20-25 per cent. "It has become the most important area in Latin America for products like electronics and motorbikes," he says.

Some analysts question how well the zone has weathered the change. Although headline figures show recovering sales, most recent growth is due to one product – televisions – which now account for a quarter of the zone's sales and have enjoyed a bumper year thanks to overall economic growth. While sectors like chemicals have also done well, sales of many other product types like watches, toys and textiles are still below 1990 levels.

The next goal, Mr Rodrigues says, is to improve quality and productivity. Of the zone's 302 companies, 30 have ISO 9000 certification and a further 92 are in the process of seeking it. Job cuts have led to productivity gains, and companies are also increasingly contracting out.

But according to union leaders, too many companies still treat the zone as no more than an assembly plant, spending little time on training and keeping wages low. According to the metalworkers' union, nearly 70 per cent of workers in the zone are women, more than half of whom are between 17-21 years old. The union also alleges that labour turnover is high, apparently to keep wages down, and that about 500 workers are sacked each month.

Mr Cardoso, on his recent visit, told companies to start exporting rather than rely on the Brazilian market. Last year, for example, exports accounted for only $134m of total sales.

Exporting more will be difficult, and will take time. The main problem is Manaus' huge distance from consumer markets, while its port is awkwardly placed in the town centre and river transport remains slow. Supporters say proposed road links from Manaus to Venezuela and the Pacific will open new markets and cut transport costs. But financial and environmental costs will be high.

The government now also wants Manaus to be the base for eco-tourism in the Amazon and many analysts think that in 10 to 15 years tourism could be a bigger employer.

THE LEX COLUMN

Cyclical chemistry

ICI, Rhône-Poulenc, Exxon, Bayer and Amoco have all posted unexpectedly strong results this week thanks to a remarkable upturn in the chemicals cycle. West European petrochemicals profitability last quarter was higher than at the previous peak in 1988. Alarm bells should be ringing.

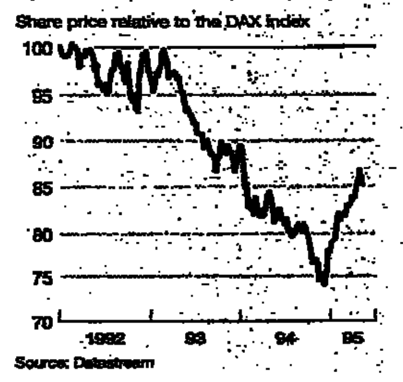
Traditionally, at this point of the cycle when cash pours in, chemical companies spoil everything by building excessive new capacity. Already, the industry's capital expenditure as a proportion of depreciation is rising. BP Chemicals and BASF are extending plants in the UK and Belgium, while three large new US petrochemicals complexes are being built.

However, this time history may not repeat itself. So far, the capacity increases are modest and should not cause oversupply. Moreover, there are reasons why the industry may exercise self-restraint. Many groups are still marked by the recession: more aware of shareholder value and attentive to return on capital, they are investing in technology to squeeze more product from existing plant. They also increasingly recognise mergers, joint ventures or acquisitions as a cost-effective way of gaining market share. Besides, the European companies' cash surge could soon peak: prices may slip as the dollar's weakness increases the supply of US imports. The chemicals industry has an opportunity to ensure that it does not make its habitual mistake of overinvesting. They should seize it.

FT-SE Eurotrack 200:
1401.01 (-0.45)

Siemens

Share price relative to the DAX Index



Source: Datastream

Siemens

The strong D-Mark is given as the reason why Siemens may not meet its target of improving profits by 20 per cent this year. But a strong currency is not the electronics giant's only problem. Yesterday's half-year figures show a further decline in the core public telecommunications division. Siemens may face nothing like the difficulties experienced by Alcatel, but Deutsche Telekom's policy of bearing down on its suppliers is still hitting it hard. Good performances from semiconductors, where the world market is strong, and computers, where Siemens Nixdorf is being turned around, are welcome. But the group is far from firing on all cylinders. Siemens' shares have performed strongly this year as management charmed investors with promises to reform its stodgy culture. It is also cutting costs and revealing more financial information about itself. But much more is needed in all these areas before further outperformance can be justified.

US airlines

The US airline industry is at last beginning to enjoy the fruits of economic recovery. Like most others in the current crop of results, Delta Air Lines exceeded expectations yesterday, though it did not quite manage the return to profitability achieved by other airlines.

The pay-off for several years of cost-cutting was delayed last year by a price war in the domestic market. As a result, several airlines cut routes and pulled back to core hubs, thus easing some of the competitive strains in over-served areas. The question is whether recovery is sustainable, given that it has happened rather late in the economic cycle. Past experience would suggest not. Typically, airlines order new aircraft in the full flush of economic growth, and then have to pay for them – and face overcapacity – just as the downturn sets in. This time they have avoided that particular pitfall, thanks to the constraints of cost-cutting pressures. In fact, capacity is now declining, due to route closures, while passenger volume is growing. This should feed through rapidly into the profits of a leaner industry.

There are some snags. First of all, cost-cutting has already strained labour relations, and employees are likely to become less compliant as they see profits recover. Second, there is a danger that rising oil prices will add to costs. With further restructuring under way, the airlines are reasonably well placed to face these problems. But any company which fails to meet cost-cutting targets will be punished mercilessly.

UK investment

Plenty of cash is being generated in the UK economy, but by the wrong kind of company. This is the apparently worrying conclusion of BZW's study of investment and cashflows. This shows that the companies that are awash with cash are not those with decent opportunities to spend it. Telecoms, electricity, food producers, retailers, spirits and tobacco accounted for 60 per cent of last year's financial surplus. Investment needs are more pressing for industrial companies, whose cashflow is sluggish. Indeed, engineering companies – which face capacity constraints and should in theory be investing heavily – are in financial deficit.

This imbalance need not impede the much-needed recovery in UK investment, if the cash is redirected from sectors of the economy that do not have investment opportunities to those that do. This should take place through high dividends, special dividend payouts and share buy-backs, as well as through takeovers. Dividends have been the favoured route to date, but BZW predicts a tripling of takeover activity this year and further buy-backs. This will be good for the UK stock market: corporate cash will provide stimulus to the market at a time when institutional investors' cashflows are extremely low. But it does not mean manufacturing companies will step up their investment sufficiently; the evidence to date is they would rather put up prices than invest in new plant.

Mercury

If appreciating the scale of its problems is a preparatory step to solving them, the stiff internal memo from Mercury Communications' new boss is a good sign. The days when Mercury could lazily pick off the best customers from a bloated British Telecommunications are over. BT has improved its business, faster-moving rivals have entered the market and tariffs are falling. The memo reveals the magnitude of the crisis facing the company. But with vigorous action now, it is not too late to create a worthwhile business out of the £2bn ($3.2bn) that has been sunk in Mercury since its inception.

See additional Lex comments on UK electrical retailing, Page 20

Amadeus acquisition creates largest travel booking system

By Michael Skapinker in Paris

Amadeus, the computerised reservation company owned by airlines Air France, Lufthansa of Germany and Iberia of Spain, is acquiring the reservation system of US carrier Continental Airlines, creating the world's largest travel booking network.

The deal will extend the Amadeus system into North and Central America from its base in Europe and South America.

Continental, the fifth-largest US airline, will acquire a 12.4 per cent stake in Amadeus as part of the deal, and receive an undisclosed cash sum for its System One reservation system. It will also be represented on the Amadeus board. The three European airlines will each hold a 29.2 per cent stake in Amadeus.

System One's marketing and software development arms will be transferred into a joint company to be owned equally by Continental, Amadeus and EDS, the US information technology group owned by General Motors.

The company will develop, market and distribute the Amadeus booking system to travel agents in North and Central America, the Caribbean and Pacific Basin.

Amadeus's acquisition of System One will give it a 14 per cent market share in the US. It is already market leader in Europe, Latin America and Africa.

The enlarged network will be operated by 33,000 travel agencies worldwide, and offer information on more than 700 airlines, 29,000 hotels and 41 car hire companies.

The deal comes after US airlines announced that they had capped the amount of commission they would pay travel agents which sold their tickets. As a result agencies may charge customers who book through them. This could lead to some booking directly with airlines rather than via a travel agent.

Lex, Page 14; Swissair may buy Sabena, Page 15

Setback for Microsoft

Continued from Page 1

product like Intuit's Quicken," said Miss Bingaman.

There are an estimated 6m Quicken users, representing more than 75 per cent of the personal money-management software market in the US. Microsoft Money, by contrast, has only a 5 percent share of the market.

The Justice Department suit comes as Microsoft and the Justice Department are appealing against a court ruling rejecting the settlement of a four-year anti-trust probe of the software company.

The settlement was a bid to ensure Microsoft's software licensing practices were not unfair but failed to satisfy many of Microsoft's critics.

Gas blast

Continued from Page 1

delicate Arctic tundra as the spring thaws raise the local water levels by 30ft. "We are running against the clock," Mr Hasso Molineus, director of operations at the Moscow office of the World Bank, said yesterday.

Rhône-Poulenc profits rise four-fold

Continued from Page 1

FFr100m. Profits rose in the French group's three other main operating divisions. The strongest increases were achieved in the agrochemicals business, which saw profits rise from FFr343m to FFr574m, and in the fibres and polymers operations, which increased their contribution from FFr134m to FFr318m between the two quarters.

The chemicals division, the largest in terms of sales, increased earnings from FFr228 to FFr313m.

Mr Tirouflet said the group would continue to restructure and make disposals but indicated a more relaxed approach to asset sales. "Many of the more urgent tasks have been completed."

The group has made further progress in strengthening its financial position, reducing net debts by about FFr1.5bn to FFr23bn between the beginning of the year and the end of the first quarter.

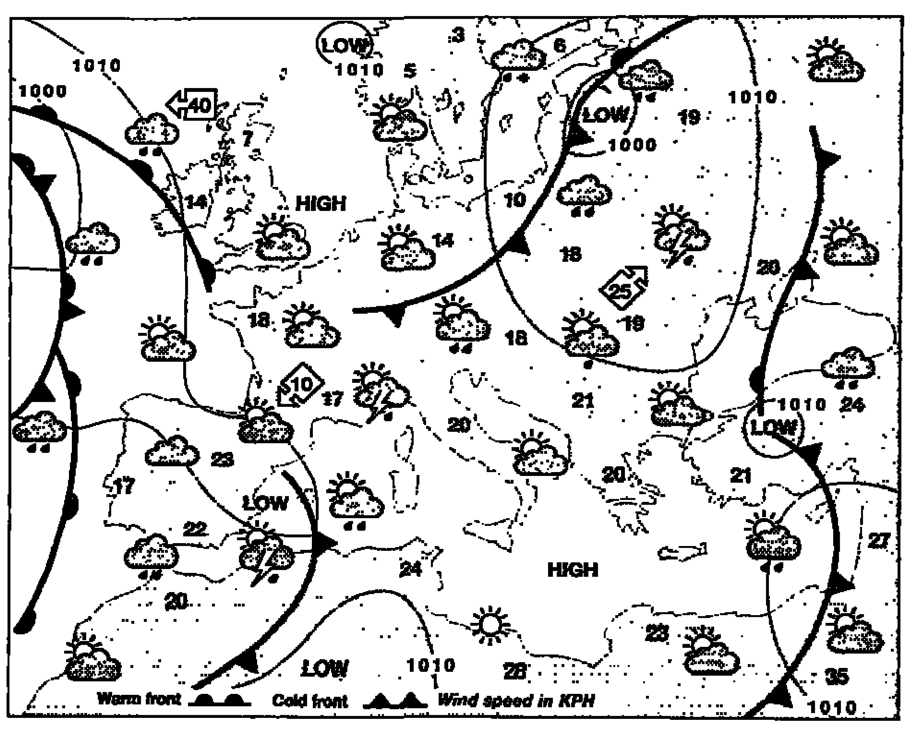
FT WEATHER GUIDE

Europe today

Northerly winds will bring cooler air to the north-west of the continent, reducing daytime temperatures to between 10C and 15C. During the day, cloud will form over the Low Countries and eastern England but it will be dry with ample sunshine. Central Europe will still have some showers, but conditions will slowly improve. Heavier showers, some with thunder, will occur over eastern Spain and northern Algeria. Most of south-east Europe will have sunny periods. Rain is likely in eastern Turkey. More rain will occur near a frontal zone over Poland and northern Russia. Northern Scandinavia will have some sun but southern sections will have showers.

Five-day forecast

During the weekend, temperatures will rise as warmer air sweeps over the continent. Most of the Low Countries, France and Spain will be dry and sunny. Rain and showers will occur in the UK and central Europe. Showers will increase over the Balkans and Greece owing to low pressure over the eastern Mediterranean. Central Europe will become dry early next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	31	Caracas	sun	30	Faro	fair	21	Madrid	fair	21	Rangoon	sun	36
	Celsius		Belfast	shower	13	Cardiff	cloudy	14	Frankfurt	fair	18	Majorca	shower	20	Reykjavik	cloudy	3
Abu Dhabi	sun	34	Belgrade	shower	20	Casablanca	shower	20	Geneva	fair	19	Malta	fair	20	Rio	fair	27
Accra	fair	33	Berlin	fair	15	Chicago	sun	16	Gibraltar	shower	21	Manchester	fair	13	Rome	fair	19
Algiers	shower	19	Bermuda	shower	21	Cologne	sun	16	Glasgow	cloudy	11	Manila	sun	34	S. Frsco	cloudy	18
Amsterdam	fair	12	Bogota	fair	20	Dakar	sun	27	Hamburg	fair	11	Melbourne	fair	20	Seoul	sun	25
Athens	sun	21	Bombay	sun	36	Dallas	fair	25	Helsinki	rain	6	Mexico City	shower	25	Singapore	thund	32
Atlanta	fair	24	Brussels	fair	15	Delhi	sun	41	Hong Kong	fair	29	Miami	cloudy	29	Stockholm	sleet	4
B. Aires	fair	26	Budapest	cloudy	20	Dubai	sun	31	Honolulu	cloudy	25	Milan	shower	17	Strasbourg	cloudy	19
B.ham	fair	13	C.hagen	fair	10	Dublin	shower	14	Istanbul	fair	21	Montreal	shower	13	Sydney	shower	22
Bangkok	fair	36	Cairo	fair	32	Dubrovnik	shower	18	Jakarta	fair	31	Moscow	shower	20	Tangier	shower	18
Barcelona	shower	17	Cape Town	shower	20	Edinburgh	cloudy	10	Jersey	fair	12	Munich	cloudy	17	Tel Aviv	fair	33
									Karachi	sun	36	Nairobi	fair	27	Tokyo	fair	20
									Kuwait	sun	32	Naples	fair	19	Toronto	cloudy	14
									L. Angeles	fair	21	Nassau	fair	29	Vancouver	fair	16
									Las Palmas	fair	23	New York	fair	20	Venice	shower	18
									Lima	fair	23	Nice	fair	18	Vienna	shower	19
									Lisbon	fair	19	Nicosia	shower	27	Warsaw	shower	18
									London	fair	14	Oslo	shower	6	Washington	fair	22
									Lux.bourg	sun	16	Paris	fair	18	Wellington	shower	15
									Lyon	fair	20	Perth	shower	21	Winnipeg	sun	10
									Madeira	fair	22	Prague	cloudy	17	Zurich	fair	17

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Montedison cuts deficit to L345bn

Montedison, the agro-industrial and chemical group of Ferruzzi Finanziaria (Ferfin), announced a sharp cut in losses to L345bn ($201.5m) in 1994 from L1,366bn. Page 16

Holvis rejects takeover bid from IP
Holvis, the Swiss non-wovens and distribution group, has rejected an unsolicited takeover bid announced by International Paper on Monday, and advised shareholders to take no action. Page 16

Roche beats rivals with 15% rise
Roche, the Basle-based healthcare products group, has reported a 15 per cent rise in 1994 net income to SFr2.86bn ($2.51bn) in spite of "a climate of structural change and increasingly intense competition". Page 16

Telmex blames forex for fall into red
Teléfonos de México (Telmex), Mexico's biggest private company and until now its most profitable, posted first-quarter losses of 390m pesos ($67m), which it blamed principally on a foreign exchange loss of 4.26bn pesos. Page 17

Improvement continues at Akzo Nobel
Akzo Nobel, the Dutch-based chemicals group, reported a 44 per cent increase in net profit for the first quarter of 1995, extending the sharply higher trend which emerged in 1994. Page 16

SKF fans expectations
SKF, the world's leading maker of roller bearings, posted a three-fold increase in first-quarter profits, fanning expectations that 1995 will be an exceptional year for Sweden's engineering sector. Page 16

H-P warns of computer chip flaw
Hewlett-Packard has discovered a "manufacturing process flaw" that affects microprocessor chips built into some of its high performance computer workstations and servers shipped over the past six months. Page 17

Meridien seeks special debt treatment
The interim management committee of Meridien BIAO, the troubled African banking group, outlined a survival plan it has put to accountants KPMG Peat Marwick, the liquidator of Meridien International Bank, its main shareholder. Page 18

Electrolux details plans for India
Electrolux, the world's biggest household appliances manufacturer, has announced details of its expansion programme into India's growing white goods market, including plans to produce 1m refrigerators there annually in the next five years. Page 16

Aerostructures Hamble declines sharply
Shares in Aerostructures Hamble, floated almost a year ago at 120p, fell 3p to 30p after the aircraft parts maker reported a sharp fall in profits and turnover for last year. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Reg	930	+	45
Asko Pf	575	+	20
Rosenthal	184.5	+	8.5
Falls			
CKAG Colonia Pf	833	−	17
Didier-Werke	108	−	5.5
Schering	1038	−	42
NEW YORK ($)			
Rises			
Nucor Corp	47⅞	+	3¼
SGS-Thomson	38½	+	2½
Falls			
Coastal Health	14¼	−	7½
Dollar Gen	22¾	−	2¾
Mikasa	14½	−	1⅝
Pitts Srv	24½	−	2
LONDON (Pence)			
Rises			
Alexander Wksw	148	+	10
Folkes Grp NV	45	+	5
Radiotrust	67	+	6
Sterling Publ	30	+	5
Falls			
Austin Reed	211	−	14
Clinical Comp	26	−	6
TORONTO (C$)			
Rises			
Ford Motor Can	150	+	25
Goldcorp	14	+	1½
Plaintree Sys	18⅝	+	1¼
Stackpole	11¼	+	⅜
Falls			
Spectrum Sig	8½	−	1
Tandem Corp	6½	−	¼
PARIS (FFr)			
Rises			
Elf Aquitn Ctr	366	+	21.9
Geophysique	331.4	+	11.4
Legris	389	+	25
SGS-Thomson	185	+	7.5
Worms Cie	258	+	17.7
Falls			
Saint Gobain	637	−	21
TOKYO (Yen)			
Rises			
Dai Npn Toryo	393	+	21
Mitsui Petchem	813	+	29
Teikoku Oil	638	+	21
Yokohama Bank	780	+	21
Falls			
Hattori Seiko	725	−	30
Shionogi	818	−	22
HONG KONG (HK$)			
Rises			
Li & Fung	5.4	+	0.2
Nail Mutual	4.575	+	0.15
Windsor Ind	9.5	+	0.3
Falls			
Esprit Asia	2.75	−	0.25
Lippo	5.3	−	0.2
Tsingtao Brew	2.85	−	0.2
BANGKOK (Baht)			
Rises			
CMIC Finance	82	+	5
Nail Finance	76	+	6.5
Falls			
Bangkok Paint	32.5	−	3.5
Compass East	168	−	17
Imperial Hotel	20.75	−	2.25
Thai Packaging	21	−	2.25

New York and Toronto prices at 12:30.

Canadian developer Bramalea in bankruptcy

By Bernard Simon in Toronto

Bramalea, the ailing Canadian property developer and housebuilder, has gone into bankruptcy, leaving its creditors free to seize more than C$4bn (US$2.9bn) worth of office buildings, shopping malls and undeveloped land across North America.

The Toronto-based company is the latest in a string of big Canadian developers which have struggled to survive the North American property slump under a heavy debt burden. Olympia & York, controlled by the Reichmann family, collapsed three years ago.

Two other companies, Trizec and Cadillac Fairview, have succeeded in bringing in new investors and restructuring their debt.

Bramalea, which negotiated two restructuring plans over the past three years, was in the process of gradually selling off most of its assets, which include 36m sq ft of commercial property and several thousand acres of residential land, mostly in southern California and southern Ontario. However, Mr Ronald Slaght, a lawyer for the company, said yesterday that directors and senior officers "had come to the realisation that there was no value for shareholders, and that the only beneficiaries were secured debtors and debenture holders".

All the directors and officers resigned late on Wednesday. Canadian Imperial Bank of Commerce, one of the biggest lenders, immediately applied for a court bankruptcy order.

Bramalea said senior secured creditors and bank lenders "should determine the future governance and management of the company".

Canada's big five banks hold the bulk of its C$3.5bn debt. The creditors have yet to decide whether to appoint a liquidator or to negotiate deals on individual properties. Mr Slaght said the directors were also concerned about Ontario employment laws, which potentially held them liable for severance pay, holiday pay and other outstanding benefits to the company's remaining 1,500 employees. The board, in consultation with creditors, provided for severance payments before disbanding.

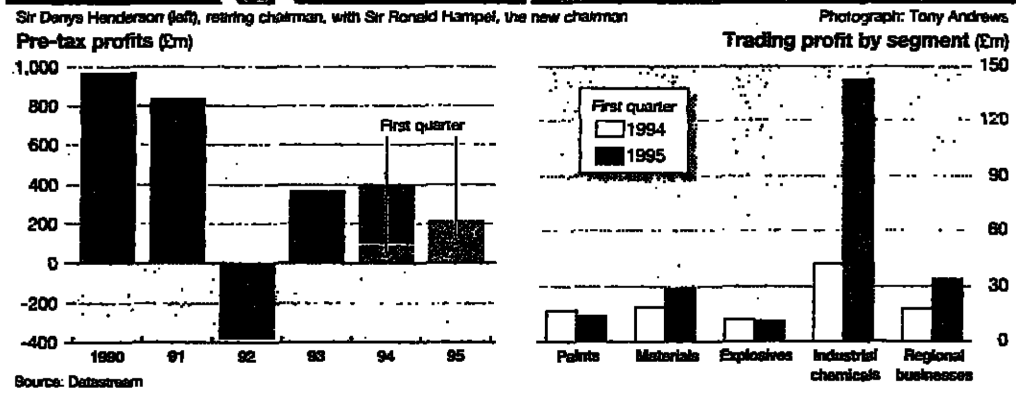
However, several of the company's top managers have sacrificed generous – and controversial – compensation packages which they negotiated for themselves as part of the most recent restructuring plan.

Under the plan, Mr Marvin Marshall, president, would have received substantial payments for the next seven years.

British chemicals group's pre-tax profits up 137% in first quarter

ICI soars on higher prices and demand

Sir Denys Henderson (left), retiring chairman, with Sir Ronald Hampel, the new chairman   Photograph: Tony Andrews



By Jenny Luesby in London

Britain's Imperial Chemical Industries yesterday reported a 137 per cent increase in first-quarter pre-tax profits, from £103m to £244m ($395m) after exceptional items. The results were better than expected, and ICI shares initially rose sharply, by 26p at one stage, before closing 1½p lower at 756½p.

But the benefit to ICI of an upturn in demand and prices highlighted the extent to which the rest of UK industry is being forced to cope with rising raw material prices.

The vast majority of ICI's profit growth came in its industrial chemicals division, where trading profits rose to £143m, from £42m in the first quarter of last year.

The growth was driven by a 10 per cent rise in volume, and average price rises of 12 per cent, in the petrochemicals, chlorine-based chemicals, polyester and surfactants businesses. These are used by most manufacturers, as plastics, adhesives, propellants, textiles and wetting agents.

Within ICI itself, the materials, paints and explosives divisions were themselves held back by rising prices further upstream. Materials reported improved sales and profits, thanks to continuing gains after the acquisition from Du Pont of its acrylics business. But paints and explosives lost ground, and achieved trading margins of 3.3 per cent and 5.9 per cent, respectively.

None the less, earnings per share rose to 21.1p, after exceptional items, compared with 6.9p in the first quarter of last year. Sir Denys Henderson, retiring after eight years as chairman, said there would be a rise in ICI's dividend this year if the improvement in conditions continued.

He also noted that although the improved results had been driven by cyclical conditions, their scale owed much to the restructuring of the company.

The company was now hungry for growth, he said, and had authorised significant new investments. These included two large plants in Taiwan and Pakistan, to manufacture PTA, which is used to make polyester; a polyurethane plant in Europe; a plant to make state-of-the-art plastics for soft drink bottles in North Carolina, and further expansions in acrylics and the paint business in south-east Asia.

Lex, Page 14; Montedison, Akzo Nobel results, Page 16; Dow Chemical result, Page 19

Siemens and AEG warn of currency effects on profits

By Christopher Parkes in Frankfurt

Siemens and AEG, two of Germany's top electrical and electronics groups, warned yesterday that their 1995 results were likely suffer because of turmoil in the foreign exchanges and higher labour costs.

Siemens, which said net income grew 7 per cent to DM939m ($690m) in the six months to the end of March, said the swings had cast doubt on its ability to meet its target of a 20 per cent increase in after-tax profits for the full year.

AEG, the heavily-restructured Daimler-Benz subsidiary, said it would not break even this year and profits were not now expected before 1996.

The company said first-quarter sales were steady at DM2bn, adding that although incoming orders for the period were down at DM3bn after DM3.4bn in 1994, the figure was expected to be bolstered by a federal railways order worth DM1.2bn.

New orders at Siemens rose 4 per cent to DM46bn in the six-month period. Demand from the domestic market showed signs of reviving with a 6 per cent increase, while foreign orders climbed 2 per cent.

Global sales were 5 per cent higher at DM40bn, thanks mainly to the revival in the home market where turnover rose 13 per cent to DM17.7bn. International sales stagnated at the previous year's level of DM22.3bn despite currency movements.

Best performers within the group included the automation division. New orders rose 24 per cent to DM3.4bn and sales were 38 per cent higher at DM3.4bn.

Siemens Nixdorf, the information technology business, and a long-running loss-maker, raised its order intake 19 per cent to DM6.4bn while sales climbed 9 per cent to DM5.7bn. Sales and orders for semiconductors rose 37 per cent.

In contrast to the effects of the return of business confidence, continued restraints on public spending were still damping the power generation and public telecommunications businesses.

Capital spending rose sharply from DM2.4bn to DM3.7bn mainly because of acquisitions including Pyramid Technology in California and a joint telecommunications venture in Italy with Italtel.

Lex, Page 14

Swissair plan for Sabena stake poised for approval

By Emma Tucker in Brussels

The Belgian government is today expected to give its blessing to Swissair's plan to acquire 49.5 per cent of Sabena, the troubled state-owned airline which yesterday announced a modest reduction in losses for last year, compared with 1993.

The decision to allow the long awaited takeover will provide the cash-starved Belgian flag-carrier with capital while giving Swissair a foothold in the European Union aviation market.

The Belgian government, however, has yet to receive formal approval from the European Commission for a cost-cutting plan considered essential to the success of the takeover, but which may break EU competition rules on state aid.

Yesterday's results showed consolidated losses of BFr1.2bn ($42m) in 1994, a BFr3.3bn improvement on 1993.

The group closed the financial year with an operating profit of BFr1.3bn compared with a loss of BFr238m in 1993, and a positive cash flow of BFr1.63bn, compared with a loss of BFr1.68bn in 1993.

Sabena has yet to notify the European Commission of its cost-cutting proposals. The latest indications are that the transport directorate in Brussels will approve a plan that involves a capital increase by the Belgian government, with a capital increase by Swissair, and reductions in Sabena's payroll taxes.

"Taken together these two measures could lead to a reduction of the company's deficit," said a Belgian official.

The capital increase would be similar to last year's capital increase at KLM Royal Dutch Airlines in which the Dutch government participated. According to precedent, it could be approved on the grounds that the Belgian government was acting as a normal "private" investor.

Previous cost-cutting plans that involved relocating pilots in Luxembourg to avoid Belgium's high social security costs, and an ambitious scheme to reduce employer contributions, ran into difficulties from Belgian rivals and competition authorities in Brussels.

Sabena said economic recovery last year had a positive, but limited, effect on the airline's fortunes, and was not enough to alleviate the keen competition in European air transport resulting from overcapacity in the sector.

The difficult climate was exacerbated by the strength of the Belgian franc. However, the airline transported 17 per cent more passengers than in 1993.

John Thornhill examines a Russian shipping group

Pioneer from the Wild East with a social conscience

Being the finance director of a company which is grappling with a harsh economic recession, a radical overhaul of its operations, a stock market crash and a criminal epidemic is a challenge to daunt the most hardened manager. But Mr Sergei Frank of Russia's Far East Shipping Company (Fesco) appears to be relishing the task.

Indeed, as finance director of the largest transport company in Vladivostok in Russia's far east, Mr Frank claims he is luckier than most. Fesco, he says, has many advantages: it is one of the most internationally-orientated Russian companies with 85 per cent of its income earned in US dollars. The company runs several lucrative trade routes to ports around the Pacific Rim. And its strong asset base boasting 159 ships – worth as much as $800m – gives it considerable room for manoeuvre.

Vladivostok, which was a closed city until three years ago, is still blinking in the glare of the outside world. Its remoteness from the country's weakening capital – it is eight hours by aircraft to Moscow or eight days by train – has given the region a frontier mentality and it is described as Russia's Wild East.

Like most Soviet-era companies, Fesco is responsible for a mini-welfare state which can only gradually be transferred to the local authority. Last year, Fesco spent about $50m maintaining 200 kindergartens, schools and hospitals. "It is like having double taxation," Mr Frank says. Fesco already pays 23 other forms of federal and regional taxes.

"If I started a new enterprise it would be an easy decision not to create these social enterprises. But when you are talking about a company with a history of more than 100 years and 15,000 employees and practically every 10th family in Vladivostok is directly or indirectly related to the company, then it is a hell of a job to make a responsible decision."

"We could make one clever speech and one tough decision which may be good for our finances but tomorrow we would have a social disaster."

Mr Frank accepts Fesco may eventually have to pay more local taxes to help support these social assets when they have been transferred to the council but at least management's time would not be distracted from shipping. "One of the sources for optimism about the future is that we can continue to reduce spending on social enterprises and spend more on the fleet," he says.

"We do not have any serious problems paying our bills and most importantly we are not leveraged at all," he says. "The long-term liabilities of the company are less than $30m which must be unique for a shipping company of our size."

Fesco's virtues have not gone unnoticed by foreign investors who account for 15 per cent of its shares. Mr Andrew Fox, chairman of Tiger Securities, a local joint venture stockbroker, says: "Fesco has good assets, almost no debt and a capacity to raise finance from international investors ... This is probably the safest Russian share somebody could buy as a minority investor."

Although Fesco was only privatised two years ago, Mr Frank is well versed in the anxieties and demands of international shareholders and beams with pride as he hands over a bullish research note compiled by ING, the Dutch bank. With the company's market value standing at a 90 per cent discount to book value, ING suggests Fesco is undervalued. "I can confirm that everything in the report is true except for the profits forecast. Making forecasts in Russia is quite difficult," Mr Frank says.

This year Fesco intends to buy five ships to help improve operating efficiencies. "At present our running costs are continuously increasing because of the poor quality of our fleet. As our assets become older and older our costs become higher and higher." The fleet will be reduced to 120 vessels releasing much cash. Fesco can also reap other cost benefits from slimming its ships' rosters.

Increased competition from low-cost independent operators is helping to accelerate this change. "Competition is good," enthuses Mr Frank. "It makes people work harder and more intelligently."

But not all of Fesco's employees are so sure and at its recent annual meeting the board was grilled by some of its 30,000 shareholders, including many workers who collectively own 38 per cent of the shares.

"In Russia everybody likes to ask why are you doing this. It is not a country where people are worried about looking confused. A lot of people are a little bit afraid of these new developments. But I think the new environment is healthy," Mr Frank says.

Everything, it seems, is changing in Vladivostok which can be either disorientating or exhilarating depending on your point of view. Even the town's museum curators are carting off Soviet-era exhibits to make space for mementos of the American movie star, Yul Brunner, who has been rehabilitated as one of Vladivostok's most famous sons.

Roche beats rivals with 15% rise in net income

By Ian Rodger in Zurich

Roche, the Basle-based healthcare products group, has reported a 15 per cent rise in 1994 net income to SFr2.86bn ($2.51bn) in spite of "a climate of structural change and increasingly intense competition".

The increase is considerably stronger than those reported by the group's Basle rivals. Sandoz net income was up 2 per cent to SFr1.7bn while Ciba gained 7.5 per cent to SFr1.9bn.

Roche directors said in a preliminary statement that they would recommend a 15 per cent dividend rise to SFr55 per non-voting certificate.

Sales rose 3 per cent in Swiss franc terms to SFr14.7bn, but were up 10 per cent in local currencies. The sales figures were flattered by the inclusion of figures from Syntex, the US pharmaceuticals group acquired last autumn, from November 1. Sales in the fourth quarter jumped 12 per cent to SFr4bn.

Roche said profits on the operating side were lifted by cost management as well as sales growth. The non-operating result, arising from the investment of the group's SFr12bn liquidity, was also up.

In the year, pharmaceutical division sales were up 7 per cent to SFr8.34bn, vitamins and fine chemical sales eased 2 per cent to SFr3.2bn, revenues from diagnostics equipment and services were down 7 per cent to SFr1.59bn and sales of fragrances and flavours gained 6 per cent to SFr1.5bn.

Capital spending eased to SFr1.36bn, from SFr1.4bn. Research and development spending rose to SFr2.3bn from SFr2.16bn. R&D spending on pharmaceuticals rose to SFr1.98bn from SFr1.81bn, and to 24 per cent of divisional sales, from 23 per cent.

Roche said shareholders of National Health Laboratories in the US will vote today on the proposed merger with Roche Biomedical Laboratories. The merger would create the world's largest clinical laboratory network, to be known as Laboratory Corporation of America. Roche will hold a 49.9 per cent stake in it.

Improvement continues at Akzo

By Ronald van de Krol in Amsterdam

Akzo Nobel, the Dutch-based chemicals group, reported a 44 per cent increase in net profit for the first quarter of 1995, extending the sharply higher trend which emerged in 1994.

Net profit rose to Fl 405m ($260m) in the quarter from Fl 281m a year earlier. The figure includes an extraordinary gain of Fl 40m due mainly to the sale of the group's interest in a Swedish hydropower company. Without the extraordinary item, the rise in net profit would have been 30 per cent

Sales fell 3 per cent to Fl 5.6bn, but this was entirely due to the influence of currency translations and disposals.

By volume, sales rose 5 per cent. Akzo Nobel raised the average selling price of its products by 3 per cent compared with early 1994.

Operating profit was up 19 per cent at Fl 553m, with two sectors, chemicals and pharmaceuticals, putting in strong performances.

However, Akzo Nobel's fibre business also improved, as operating profit rose to Fl 44m from Fl 28m.

The coatings sector raised its operating profit to Fl 101m from Fl 92m, though the company noted that margins were coming under heavy pressure from rising raw material prices.

Other factors behind Akzo Nobel's price rise were a decline in financing charges and a reduction in the average tax rate to 32 per cent from 31 per cent.

SKF surpasses market forecasts

By Christopher Brown-Humes in Stockholm

SKF, the world's leading maker of roller bearings, yesterday posted a three-fold increase in first-quarter profits, fanning expectations that 1995 will be an exceptional year for Sweden's engineering sector.

Pre-tax profits, at SKr907m ($125.7m), were SKr200m higher than market forecasts and reflected the group's success in improving volumes and prices in Europe and the US. The group's B shares rose SKr2 to SKr145.

It is the third time this week that a Swedish industrial group has produced figures comfortably ahead of expectations, giving the stock exchange a new spurt of life.

A 17 per cent rise in deliveries was the main reason for a 21 per cent jump in SKF's sales to SKr9.7bn. Higher prices, a better product mix and an acquisition accounted for the rest of the increase.

Mr Mauritz Sahlin, who yesterday stepped down as SKF's managing director after 10 years in the post, said: "The recovery in Europe continued for the third successive year, while the US is now into its fifth year of improved sales for SKF." The upturn in Europe, where the company has 55 per cent of its sales, was stronger than in the US.

Sales to customers in the car and truck industry, the group's most important customer segment, rose strongly in spite of a slower rate of increase in new car sales in Europe and stagnating demand for cars in the US.

Mr Sahlin said SKF had been helped by its involvement in successful car models, including the Fiat Punto and Ford Mondeo.

The group expects total volume growth of 10-15 per cent this year and further increases in prices.

Holvis rejects offer from Int'l Paper

By Ian Rodger

Holvis, the Swiss non-wovens and distribution group, has rejected an unsolicited takeover bid announced on Monday by International Paper of the US, and advised shareholders to take no action.

"The offer does not reflect the value of the company based on both the business and financial prospects for Holvis's businesses and on the serious expressions of interest received by the company from a number of international industry participants over the last four days," it said.

IP, making the first unsolicited bid in Switzerland, has offered SFr435 a share for all Holvis shares. This represents a 24 per cent premium over the market price immediately before the announcement, and values the group at SFr385m ($350m).

Mr Milan Turk, vice-president of International Paper, said he was not surprised by the board's reaction. "We have made an offer to shareholders. It is up to them to decide. At the moment, there is no other offer," he said.

Holvis was exposed to takeover when Mercury Asset Management of the UK decided to sell a 31 per cent block of shares that it manages.

MAM has given International Paper an irrevocable option to purchase 25 per cent at the bid price.

Mr Rudolf Wenger, Holvis finance director, said the directors, advised by Morgan Stanley, the US merchant bank, accepted the group was up for sale, and were trying to maximise shareholder value.

He said the premium offered by IP was "not great", even though the 1994 annual report showed net asset value at SFr400 a share.

"We consider discounted cash flow analysis to be more important, and it tells a different story," Mr Wenger said.

On the basis of a "surprising" level of interest, he said that the directors were "pretty confident" of obtaining an offer substantially over the IP bid.

Montedison cuts deficit to L345bn

By Robert Graham in Rome

Montedison, the agro-industrial and chemical group of Ferruzzi Finanziaria (Ferfin), yesterday announced a sharp cut in losses to L345bn ($201.5m) in 1994 from L1,366bn.

This was accompanied by a significant improvement in operating profit, up 17 per cent to L1,685bn compared with L1,435bn in 1993.

The results reflect Montedison's first full year under the control of Mr Guido Rossi, brought in by an international consortium of banks as special administrator after the collapse of the Ferruzzi family business ventures in 1993.

Montedison said the group was at last benefiting from the rationalisation carried out by Mr Rossi. This in turn allowed Montedison to take advantage of increasingly strong demand for its products, especially abroad. Sales from the once-troubled chemicals sector rose 16 per cent to L4,705bn.

In the first three months of this year earnings were up 18 per cent at L6,017bn compared with the same period in 1994: while the gross operating margin rose 39 per cent to L915bn. The group said demand was strong for chemicals and agro-industrial products. It was also profiting from the depreciation of the lira. Of particular importance was the position of Eridania Béghin-Say, its French agro-industrial subsidiary which provides almost 60 per cent of total turnover and whose French franc earnings are consolidated into lire.

During 1994 turnover increased sluggishly to L21,522bn from L20,415bn. Gross operating margin was L2,955bn compared with L2,603bn. The return to profitability was conditioned by the need to make provision for lawsuits, and continuing heavy write-downs on property and other bad portfolio investments. Last year's write-offs amounted to L446bn.

● Ferfin results yesterday mirrored the improvement in Montedison, with a large cut in losses.

Ferfin posted a consolidated net loss of L996bn last year compared with L2,419bn in 1993. Net indebtedness was cut to L14,840bn from L21,951bn, a reduction of 32 per cent. This was largely the result of capital increases totalling L6,740bn and the sale of non-strategic assets.

SGS-Thomson advances 35%

By John Ridding in Paris

SGS-Thomson, the Franco-Italian semiconductor manufacturer, continued its steady rise in profits in the first quarter of the year. Yesterday, it posted earnings of US$106.9m, compared with $79.5m in the first three months of last year.

The 35 per cent increase was achieved on sales of $778.6m, a 30 per cent rise on the year earlier and a reflection of the continued strength of demand in the semiconductor market.

Mr Pascale Pistorio, chairman, said the results in the first quarter matched the highest estimates. The company said the performance reflected continued expansion in its principal markets and improved productivity.

Operating profits rose by just under 40 per cent to $141.7m. The majority of sales was achieved outside Europe, with 52 per cent of turnover realised in the US, Japan and the Asia-Pacific region.

The Franco-Italian group was floated last year in a step towards a possible privatisation. The operation allowed the group to strengthen its balance sheet, providing about $470m in capital. Shares in the company, which were issued at FFr119.95, closed FFr2.5 lower at FFr134.5 yesterday.

Vauxhall to spend £136m on Luton

By Haig Simonian, Motor Industry Correspondent

Vauxhall, the UK motor vehicles group owned by General Motors of the US, is to invest £136m ($220.32m) to lift production by a quarter at its main Luton plant.

Mr Charles Golden, Vauxhall's chairman, said the decision was "an expression of confidence in the UK".

The move comes just a day after Peugeot Talbot, the UK arm of the Peugeot Citroën group of France, said it would play an active role in the design and development of new models.

The lift to both Vauxhall and Peugeot Talbot stems from their success in closing the productivity and quality gap between their plants and continental European counterparts.

Vauxhall also announced that pre-tax profits dropped to £79m last year from £185.1m in 1993. The decline was caused by the sharp slowdown in the UK car market in the second half of last year, leading to deep discounting, and a write-off on the company's indirect stake in the Avis car rental business in Europe.

Prospects for this year look no better. Vauxhall expects the car market to rise by 2 per cent at best to 1.95m units.

Argentaria sees recovery in year

By David White in Madrid

Argentaria, the semi-privatised Spanish banking group, expects to recover this year before a share placement, expected in 1996, which would reduce the state's holding to a minority level.

Consolidated net profits in the first quarter were 6 per cent lower than the same period last year at Pta22.14bn ($180m). However, this was a 134 per cent improvement on the previous quarter, and better than analysts' forecasts.

Argentaria's shares rose 2.9 per cent to close at Pta3.960 in Madrid yesterday. Mr Francisco Luzón, chairman, said he thought the stock was at least 25 per cent undervalued compared with that of other leading Spanish banks.

He said the quarterly results were good and that they indicated a return to a "normal path". After deduction of minority interests, attributable group net profits fell 4 per cent to Pta19.94bn from the the same period of the previous year. But he said this was the highest of any Spanish banking group.

Lisbon sets telecoms sale stake at 26.3%

By Peter Wise in Lisbon

Portugal is to privatise 26.3 per cent of Portugal Telecom in a global offer on May 25, the government announced yesterday. But it failed to reach a decision on a floor price.

Analysts said the delay in fixing a minimum price, expected next week, reflected the government's reluctance to accept the price recommended by the banks co-ordinating the offer – Merrill Lynch, UBS and S.G. Warburg.

A Lisbon broker said high-profile investors were indicating that the sentiment of international financial markets was too negative to set a price much above Es2,500-Es2,700 a share. A price of Es2,500 a share values Portugal Telecom at Es475bn ($3.2bn).

The government said 50m of Portugal Telecom's 190m shares would be sold in the operation, 23m to overseas investors in an international tranche divided between London and New York.

Of the 27m shares to be sold in Portugal, 17m are reserved for private shareholders of Companhia Portuguesa Rádio Marconi, the intercontinental telecommunications operator that is being merged with Portugal Telecom.

Private shareholders, who own 49.6 per cent of Marconi, are being offered Portugal Telecom shares in exchange for their Marconi shares on the basis of a Marconi share valuation of Es6,500.

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Economic recovery helps US airlines to improve

By Richard Tomkins in New York

Delta Air Lines yesterday joined several other US airlines in reporting a big improvement in its financial performance for the traditionally tough quarter to March, cutting net losses from \$78m to \$11m before preferred stock dividends.

Mr Ronald Allen, chairman and chief executive, said the main reason for the improvement was the airline's progress in cutting costs. Revenues were little changed at \$2.9bn because an increase in passenger numbers was offset by the continuing pressure on fares.

Net losses after preferred stock dividends fell to \$33m from \$105m and fully-diluted losses per share fell to 66 cents from \$2.10.

Like other US carriers, Delta is benefiting from a number of favourable trends that suggest 1995 could be the first profitable year for the US airline industry since 1989.

Economic growth has increased demand for travel. But like Delta, most of the big US airlines are continuing to suffer downward pressure on fares in their domestic market because of competition from low-cost airlines.

As a result, the large carriers are trying to restore profitability by cutting costs. Labour costs are the main target, with airlines trying to persuade workers to take wage and benefit cuts. Meanwhile, aircraft deliveries have been delayed, route networks have been rationalised, commissions to travel agents have been cut – and all the airlines have enjoyed a bonus from historically low fuel prices.

FIRST-QUARTER RESULTS

Airline	Revenues \$bn 1995	Revenues \$bn 1994	Net income (loss) \$m 1995	Net income (loss) \$m 1994
UAL	3.33	3.2	(10)	(106)
AMR	3.14	3.03	37	23
Delta Air Lines	2.90	2.88	(33)	(105)
Northwest Airlines	2.04	1.92	47	4
Continental Airlines	1.41	1.37	(525)	(28)
USAir	1.76	1.69	(117)	(216)
Southwest Airlines	0.62	0.62	12	42

Note: figures for net income are taken after deduction of preferred stock dividends.

Source: company reports

Still, not all the airlines are doing well. The Texas-based Continental Airlines last week reported an increase in losses caused by its attempt to start up its own low-cost service, Continental Lite. The service is to be eliminated by July.

Another Texas-based carrier, the low-cost Southwest Airlines, produced an uncharacteristic tumble in profits to \$12m from \$42m – partly because of the heat of the competition with Continental and partly because other larger carriers fought back against its inroads into their markets.

On the plus side, one of the most surprising performances came from USAir, the beleaguered carrier in which British Airways holds a minority stake. It roughly halved its losses to \$97m from \$197m before preferred stock dividends and to \$117m from \$216m after the dividend requirement.

One factor was the mild winter, which brought far less disruption to air travel in the USAir's east coast market than the previous year's unusually severe weather. But the airline also benefited from the misfortunes of Continental and Southwest, both of which had been attacking its markets but eventually eased up as their own problems began to mount.

United Airlines has also been doing well. Last year its employees yielded big labour concessions in return for 55 per cent of the company's equity, as a result of which the airline has some of the lowest costs in the industry. Recently it set up a low-cost shuttle service called Shuttle by United, which is competing with Southwest in California.

American Airlines suffers from not yet having reached a cost-cutting agreement with any of its employee groups. Analysts find it all the more impressive that it managed a turnaround from losses of \$23m to profits of \$37m in the first quarter, helped by its success in cutting non-wage costs.

Northwest Airlines' earnings figures were muddied by a number of unusual items, but operating profits were ahead by 12 per cent to \$135m and the airline seems to be continuing its impressive recovery from near-bankruptcy in 1993.

AIG beats forecasts with 13% advance

By Maggie Urry in New York

Strong performances from nearly all its activities and a \$25m fall in catastrophe losses helped American International Group, the insurance company, increase net income by 13 per cent to \$572m in the first quarter, up from \$506m in the same three months of 1994. Earnings per share were \$1.81, up from \$1.59.

The results were better than forecasts, which averaged \$1.72 a share, and the shares rose in morning trading, by \$2⅜ to \$106⅞.

Mr Maurice Greenberg, chairman, said: "AIG had an excellent first quarter with particularly strong performance by our domestic and foreign general insurance operations, and our worldwide life insurance business."

Catastrophe losses fell from \$55m in the first quarter of 1994, caused by the Californian earthquake, to \$30m this year reflecting the Japanese earthquake. AIG had originally expected a \$50m loss from the Kobe disaster, but its latest information from Japan had enabled it to reduce the estimate. That helped lift general insurance pre-tax income by 28 per cent to \$446m.

Investors give strong backing to UBS board

By Ian Rodger in Zurich

Shareholders of Union Bank of Switzerland gave a strong vote of confidence to their beleaguered directors at yesterday's annual meeting, rejecting Mr Martin Ebner's proposals to withhold the customary approval of their conduct.

The vote to discharge directors of their responsibility for last year's affairs was carried at the annual meeting by an overwhelming 75 per cent majority.

However, the long running governance dispute between Mr Ebner, chairman of BK Vision, UBS's largest shareholder, and the bank's directors appeared to intensify. Mr Nikolaus Senn, the UBS chairman, attacked Mr Ebner as a raider with no interest in the future well being of the bank.

He said Mr Ebner was in the category of raiders who "uses catchwords such as 'added value' or 'representation of shareholders' rightful interests' to disguise his ultimate goal: the company's capital".

He also criticised Mr Ebner for claiming that UBS was not responsive to shareholder concerns, but not taking up the bank's offer to name directors.

BK Vision is challenging in Swiss courts a decision taken at a shareholders' meeting last November to convert registered shares into bearer shares, thereby undermining the extra voting power of the registered shares.

Mr Senn said BK Vision had refused a proposal to take the dispute directly to the Federal Court to hasten a resolution.

Mr Ebner made no comment at the meeting.

● UBS said its consolidated net income in the first quarter of 1995 was "roughly on a par" with the weak result recorded in the same period of last year. No figures were given. The bank said trading income showed a "pleasing improvement", but net commission and interest income showed slight declines.

The bank said it was optimistic, but markets would have to pick up "substantially" if the trading side was to reach its ambitious targets.

Telmex blames heavy forex loss for fall into red

By Daniel Dombey in Mexico City

Teléfonos de México (Telmex), Mexico's biggest private company and until now its most profitable, posted first-quarter losses of 390m pesos (\$67m), which it blamed principally on a foreign exchange loss of 4.26bn pesos.

Analysts were surprised by the former state-run telephone monopoly's better-than-expected operating profit of 3.48bn pesos, achieved, in spite of the country's economic crisis, through a reduction in capital expansion and an increase in telephone call revenues. The peso slumped some 22 per cent against the dollar for the first three months of the year, but has recovered some of its ground in April.

Telmex maintained operating profit margins at just under 40 per cent, down from 44 per cent a year before. First-quarter revenues grew to 8.77bn pesos, up 9.8 per cent in real terms over the same period last year, with income from international long-distance calls jumping 47 per cent. Revenues from local calls, which represent 43 per cent of total sales, grew 2.1 per cent in real terms.

The figures reflected the fact that the dollar payments for incoming calls were worth more in pesos after the devaluation, and the more cost-effective installation of new lines.

"These results are slightly better than we expected," said Mr Jorge Sánchez, a telecommunications analyst with Vector, a Mexico City brokerage.

The Telmex figures follow other results – such as those of the country's largest banks – which show that Mexico's expected economic contraction of between 1.5 per cent and 4 per cent for 1995 has yet to cut into company earnings as much as feared.

Nevertheless, Telmex acknowledged it was entering a period of consolidation. Total capital expenditures, which have hovered around \$2bn annually for the past several years, are set to be trimmed to \$1bn in 1995.

"Given the companies that are going to come into the sector and the inevitable capital depreciation, Telmex can't keep these low levels of capital expenditure forever, and that's going to be a burden [since much of capital expenditure is for goods with dollar price-tags]," said Mr Felix Boni, head of analysis for Interacciones, a Mexican stockbroker.

Earlier this week, the Mexican senate approved legislation paving the way for competition in long-distance and local services in 1997.

Xerox posts 14% rise in opening three months

By Lisa Bransten in New York

Xerox yesterday reported a 14 per cent rise in net income for the three months to end-March, helped by strong sales of document processing equipment.

The company also announced further steps in its plans to leave the insurance business, which incurred losses in the first quarter.

Mr Paul Allaire, chairman and chief executive, said the company had signed an agreement to sell its Viking Insurance Holdings subsidiary to Guaranty National for more than \$100m and had completed the sale of Constitution Re to Exor America.

The group's first-quarter net income was \$147m against \$129m for the same period last year. Fully-diluted earnings per share were \$1.20 against \$1.03 last year.

Excluding the insurance business, revenues rose 15 per cent to \$3.77bn, and earnings per share were \$1.54 – well above the mean estimate of \$1.48 per share.

The shares lost \$4 at \$121⅜ in early trading.

INTERNATIONAL COMPANIES AND FINANCE

Electrolux details expansion plans for Indian market

By Shiraz Sidhwa in New Delhi

Electrolux, the world's biggest household appliances manufacturer, yesterday announced details of its expansion programme into India's expanding white goods market, including plans to produce locally 1m refrigerators annually in the next five years.

The company plans to establish a foothold with local manufacturing to capitalise on the 20 per cent growth rate of the Indian white goods market.

Earlier this month, the Swedish multinational acquired a 51 per cent majority stake in Maharaja International (now called MIL), a publicly-quoted Indian white goods manufacturer, for $13.3m. Electrolux will invest $25m in upgrading MIL's production facilities in Shahjahanpur, near Delhi.

MIL, which attempted to enter the refrigerator market in 1992 but made little headway, will now have access to Electrolux's state-of-the-art refrigerator technology. Electrolux, which had earlier tied up with Kelvinator, a leading Indian refrigerator manufacturer, recently sold its 12 per cent shareholding in the company after the agreement ran into trouble over share prices.

Whirlpool, the US white goods group, has since taken a controlling stake in Kelvinator, although Electrolux says it retains the right to use the Kelvinator brand name.

Electrolux said it would eventually set up a full range of manufacturing facilities for household appliances in India, as it had in China, where it would invest $100m in the next three to five years.

A similar investment is envisaged for India, which will help it meet its target of doubling net sales in new markets to $2.8bn from $1.4bn in five years.

Meridien BIAO seeks special debt treatment

By Joel Kibazo

The interim management committee of Meridien BIAO, the troubled African banking group, yesterday outlined a survival plan it has put to accountants KPMG Peat Marwick, the liquidator of Meridien International Bank, its main shareholder.

Meridien International Bank (MIBL), which has a 74 per cent stake in Meridien BIAO, was put into liquidation following a ruling by the Bahamas Supreme Court on Monday. The Central Bank of Swaziland initiated action to liquidate the bank.

Mr Nfor Susungi, who represented 10 per cent shareholder African Development Bank on the board of Meridien BIAO and is one of three men appointed on Tuesday to the interim management committee, said: "The point I have made to the liquidator is that we should be treated in a different way. Meridien BIAO owes money to MIBL but it is no use calling in the debt as this could lead to the collapse of the group. What is more, MIBL owes us money."

Meridien BIAO is understood to owe MIBL about $50m arising from loans and overdrafts extended to it.

However, MIBL is believed to owe the network substantial amounts of money following deposits made with MIBL by individual Meridien BIAO banks in the 20 countries where the group has been operating.

Mr Susungi said: "What I am suggesting is that the liquidator finds a buyer for MIBL's 74 per cent stake even if it is for a nominal amount, but a buyer that will clear the debt."

The committee hopes the buyer will be a banking group which will help it gain banking supervision.

Qantas finds privatisation route far from smooth

The airline needs to win over local investors and allay concerns about its rival Ansett, writes Nikki Tait

Australia's Trade Practices Commission, the competition watchdog, is set to rule on whether Qantas, the Australian airline, and British Airways, its 25 per cent shareholder, should go ahead with a wide-ranging "co-operation" deal on their Australia-Europe routes.

A draft ruling last year opposed the price and capacity-fixing deal, but the carriers and TPC have been in talks recently.

TPC approval would be a considerable lift for Qantas, which is only months away from a stockmarket float.

The two airlines quantified the benefits of their original agreement at about A$90m (US$64.2m) a year, two-thirds going to the Australian government-controlled carrier. Even in the light of Qantas' improved profitability – A$128.7m after tax in the six months to end-December – sums of this order are significant.

But a favourable ruling for the airlines, which could come today, would still leave some problems on the path to a flotation.

Local investors' concerns have still to be allayed, as well as the simmering issue of who will ultimately control Ansett, Australia's second national carrier and Qantas' main domestic competitor.

Australia's federal government, which has pledged to move from an estimated A$12.3bn budget deficit in 1994-95 to a surplus in 1996-97, wants to raise about A$2bn from the sale of its 75 per cent interest in Qantas. Earlier this year, it set the end of August as the date for the money to come in.

The first hurdle is the government's aversion to raising the foreign ownership limit above 35 per cent. Given British Airways' 25 per cent interest, this means that only about 13 per cent of the government's shares can be sold to overseas investors.

If the A$2bn goal is to be reached, about A$1.75bn must come from domestic institutions or private investors.

Float advisers have been striving to dispel any reservations potential investors might have about investing in airlines. Concern has been expressed about the industry's exaggerated profit cycles.

In pre-float meetings, advisers have stressed Qantas' exposure to Asia, where air traffic is expected to grow at above-average rates – possibly 8 per cent a year – for the next decade.

Sir Colin Marshall, BA's chairman, has also chipped in, telling securities industry professionals in Sydney last month that he believed it would take another two years before excess capacity from the last industry shake-out, in the early-1990s, was absorbed.

But Standard & Poor's, the US credit rating agency, has warned that Asia faces its own competitive pressures. "The continuing push by many operators to seek route expansion in Asia could limit revenue improvement," it said in a recent report.

Indeed, regional haggling is all too evident in a dispute between the Australian and Hong Kong governments. The argument centres on the amount of intra-Asian traffic Qantas should be allowed to carry on flights out of the colony to Bangkok and Singapore.

In an effort to protect revenues at Cathay Pacific, the Hong Kong carrier, the HK authorities want to cap this. The Australian government, which maintains that Qantas is acting within its rights, has countered by approving Cathay's services to Australia for only two more months. The matter remains unresolved, and some estimates put the revenues involved at about A$30m.

A second area of focus has been costs. Qantas is the result of the 1992 merger of Australia's overseas flag carrier, and Australian Airlines, one of the two big domestic operators.

A shakeout of the old Qantas management followed, as well as complex labour negotiations to put the two employee structures on a common footing.

Mr James Strong, managing director, has claimed that the recent profits upturn is not short-term fillip, but a reflection of changes in the airline's internal operations.

The merger makes long-term comparisons difficult, but there have been encouraging signs. Available tonne kilometres per employee, a standard measure of productivity, nudged up last year, and appear to have improved further in the most recent half.

However, while most analysts agree progress has been made, some believe the gains have come predominantly from productivity improvements – including better yield management and aircraft utilisation. The tougher issue of bringing underlying costs into line with competitors has only just begun.

"What they appear to have done is caught up in terms of productivity. The actual cost structure has a fair way to go", says one Melbourne-based observer.

Finally, there is big question of what happens to Ansett, Australia's second national carrier which is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the transportation group.

About half of Qantas' profit comes from the Australian market, where overall margins are higher and where it has been gaining share at Ansett's expense. It claims to outstrip its competitor.

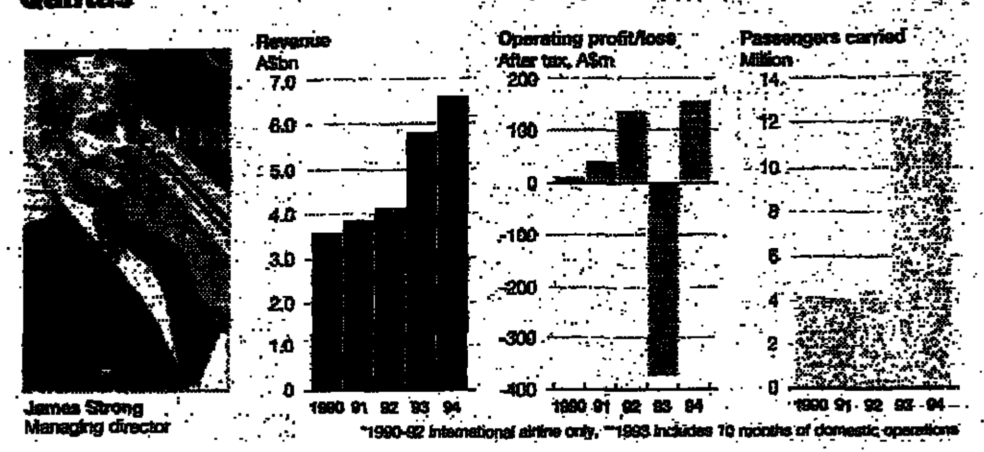
But News has been talking to Air New Zealand about selling it a stake in Ansett, and a trans-Tasman alliance with the NZ carrier would almost certainly make Ansett a stronger competitor.

The problem is how to structure such a deal. Ansett provides domestic competition to Air NZ in New Zealand, and neither the NZ government nor the country's competition authorities are likely to welcome a return to a monopoly situation.

A second issue is how much of Ansett Air NZ might be able to buy while still ensuring the carrier is deemed to be in Australian control – and how such a transaction might be funded. In addition, there is the question of what happens to Qantas' near-20 per cent holding in Air NZ.

Confronted with these problems, it is questionable whether the trans-Tasman situation can be resolved before the float.

Qantas



James Strong
Managing director

*1990-92 International airline only. **1993 includes 10 months of domestic operations

HK fund managers worried over H-shares

Fund managers, worried about a lack of transparency and the use of funds for purposes other than those set out in listings prospectuses, are disappointed with some of the management teams at Hong Kong-listed Chinese companies, Reuter reports from Hong Kong.

The state-controlled companies, which issue H-shares in Hong Kong, have recently reported generally indifferent results, featuring, at best, a near-200 per cent rise, and at worst, a more than 44 per cent fall in net profit.

"I am not satisfied [with the earnings], but looking at China's macro-economy in 1994, it was a very difficult year," said Mr Steve Luk at Jardine Fleming Unit Trusts.

However, the fund managers expressed concern that a lack of transparency made it difficult to analyse performances. They were worried about the use of listings' proceeds.

More than half of the 15 H-share companies are still holding on to most of their initial public offer proceeds, blaming a difficult market or saying the Chinese government's austerity measures have slowed expansion.

Fund managers say some companies have used the proceeds to invest in stocks and real estate or have lent money, instead of repaying loans or expanding production as they stated in prospectuses.

"It's very disappointing," said Mr John Pennink, who manages a China fund at Regent Fund Management. He cited Tsingtao Brewery which said its Yn700m ($83.1m) in unused proceeds has been placed with banks and other financial institutions. Some analysts fear the money might be at risk, as no-one fully understands what will happen to China's banks if the government unravels the chains of debts between state enterprises.

Tsingtao this week reported net profits for 1994 of Yn108.2m, a 42 per cent decline on the previous year. This prompted a 10 cent fall in the Hong Kong share price to HK$2.95 yesterday.

Beiren Printing Machinery said it had invested in stocks, mostly Hong Kong-listed, and real estate. "The management explained that what they did was for the benefit of investors," Mr Luk said. In fact, the stock investment led to a double loss for the company, because of a 31 per cent fall in Hong Kong stocks last year and the yuan's rise against the Hong Kong dollar.

Pepkor posts sharp rise in earnings to R202.9m

By Mark Suzman in Johannesburg

Pepkor, South Africa's biggest retail group, saw profits before extraordinary items for the year to end-February rise 48 per cent to R202.9m ($56.4m) from R136.8m a year earlier.

Turnover in the group, which specialises in discount retailing, rose 17 per cent to R9.68bn from R8.25bn and operating profit grew 32 per cent to R364m from R275.6m.

Taxation rose just 17 per cent to R94.6m from R80.5m because of accumulated tax losses incurred by the supermarket subsidiary Shoprite, helping raise after-tax profits 51 per cent to R278.2m from R184.7m.

Earnings per share rose 36 per cent to 107.9 cents from 79.3 cents.

A dividend of 26 cents was declared, raising the total dividend to 36 cents, up 20 per cent from 30 cents.

Mr Christo Wiese, executive chairman, said he expected the strong profit growth to continue for at least the first six months of the next financial year.

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INTERNATIONAL COMPANIES AND FINANCE

Procter shows strong third quarter

By Richard Tomkins in New York

Procter & Gamble, the US consumer goods company, yesterday reported another period of strong profits growth with net income ahead by an underlying 17 per cent in its third quarter to March.

World-wide volume increases provided the main explanation for the increase. Unit volumes rose by 12 per cent world-wide, lifting sales revenues by 12 per cent to $8.3bn.

The company was helped by acquisitions, which accounted for 2 percentage points of the volume growth, and by its continuing drive to cut costs.

"Our business continues to be very healthy throughout the world," said Mr Edwin Artzt, chairman and chief executive, who last month announced his intention to retire in July. "This is our third consecutive quarter of record shipments, and we are continuing to experience market share growth in most core businesses."

Procter & Gamble's profit figures were complicated by one-time charges. In the year earlier period, the company took a charge of $102m to close out two interest rate swaps that turned sour, and in the latest period, it took a previously announced charge of $50m for costs associated with the January earthquake in Japan.

Including these charges, net earnings shot ahead by 31 per cent $631m. But excluding them, net earnings rose by 17 per cent to $681m from $584m.

Earnings per share, excluding unusual items, rose by 17 per cent to 95 cents from 81 cents, in line with analysts' expectations. Fully-diluted earnings rose by 13 per cent to 88 cents from 78 cents.

The fastest growth came from the group's international operations, where unit volumes rose 14 per cent, sales revenues grew 11 per cent and net earnings by 23 per cent.

Last year Procter & Gamble triumphed in Europe over its Anglo-Dutch rival, Unilever, in a battle over Unilever's new Power detergents.

Yesterday Procter & Gamble said Europe, Latin America and Asia all achieved "solid" unit volume increases, and the positive impact of stronger currencies in Japan and Europe offset the weakness of the Mexican peso.

In the US, where Procter & Gamble last year cut the prices of its Luvs disposable diapers (nappies), the company produced an unusually large unit volume growth of 9 per cent and revenue growth of 10 per cent. Net earnings, however, rose less rapidly because they were affected by sharply higher pulp prices and increased spending on research and development in the pharmaceuticals business.

Sara Lee and Quaker fall short of expectations

By Maggie Urry in New York

Third-quarter earnings from both Sara Lee and Quaker Oats fell short of expectations and the food groups' shares fell.

In morning trading, Sara Lee's shares were $⅞ lower at $27⅛, while Quaker's shares slipped $⅞ to $34.

Sara Lee achieved record sales and earnings in the quarter, with the first double-digit increase in earnings per share for six quarters.

Net income rose 9 per cent to $166m, and fully diluted earnings per share increased 10 per cent to 32 cents. For the nine months, net income rose to $583m from $508m, and earnings per share were $1.14, compared with 99 cents.

The group said all four of its business sectors increased profits. Operating margins rose in the packaged meats and bakery and personal products divisions, but fell in the coffee and grocery business. Household and personal care profits edged higher.

Quaker Oats said its results were hit by a business realignment, including the sale of its North American pet foods business, but this would "position Quaker for greater profitable growth". Third-quarter results included a $518m gain before tax, worth $2.43 a share, from asset sales.

Excluding that, earnings per share were down from 54 cents in the third quarter of the 1994 financial year to 30 cents.

For the nine months, earnings per share were $1, excluding the gain, compared with $1.51.

Dow Chemical upbeat after sharp increase

Dow Chemical of the US reported continued strength in the first quarter, with earnings more than tripling to $582m, or $2.10 a share, writes Tony Jackson in New York.

Excluding charges, earnings were $2.23 a share against 65 cents. Mr Frank Popoff, chairman, said he was optimistic that the recovery would continue.

Sales in the quarter rose 31 per cent to $6bn, made up of a 17 per cent rise in prices and 12 per cent extra volume.

Sales of chemicals and performance products increased 45 per cent at $1.5bn.

Plastics were up 43 per cent at $2.3bn, with a particularly strong 62 per cent rise in thermoplastics.

Sales of hydrocarbons and energy climbed 41 per cent to $588m, but the operating loss deepened to $12m from $1m.

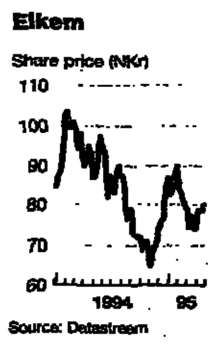
● W R Grace, the speciality chemicals company recently shaken by the resignation of its chief executive and death of its chairman, reported a 22 per cent rise in first-quarter earnings to $47.5m, or 50 cents a share.

Reflecting the turmoil in the company, profits were hit by a $20m pre-tax charge for contract termination costs and other expenses related to corporate governance.

Excluding the charge, earnings were up 56 per cent.

NEWS DIGEST

Elkem benefits from surge in aluminium prices



Source: Datastream

Elkem, the Norwegian light metals producer, yesterday announced unexpectedly strong first-quarter profits of NKr225m ($36.2m), attributed mainly to a surge in aluminium prices, writes Christopher Brown-Humes in Stockholm. The result beat market estimates by about NKr55m, and compares with a NKr64m profit in the first quarter of 1994. Sales rose to NKr2.27bn from NKr2.15bn.

Income from aluminium operations jumped to NKr110m from NKr19m, to contribute 43 per cent of total group operating income of NKr255m. The division's sales were NKr471m, or 21 per cent of total sales.

Elkem said aluminium prices rose to $2,200 a tonne in January, from $1,970 a tonne, continuing a strong run over the last year, but fell back later in the quarter.

Ferro-alloy consumption increased on the back on higher world steel production and prices for some ferro-alloys rose. However, the division's operating profits fell to NKr69m from NKr80m because of plant shutdowns and the weaker dollar.

Elkem said the market outlook was generally positive. But it warned that its competitive position had suffered because of the weaker dollar and said upgrading of its Norwegian manganese plants would hit second quarter figures.

Borealis in black with DKr1.19bn in first term

Borealis, the joint Norwegian-Finnish petrochemicals group, yesterday announced it had bounced back into the black in the first quarter to a pre-tax profit of DKr1.19bn ($219m), against a loss of DKr150m in the same period last year, writes Karen Fossli in Oslo.

The strong financial performance was attributed mainly to sharply higher prices and demand for the group's polyolefins products combined with high, stable production levels and favourable feedstock prices.

Net sales rose by 3 per cent to a record DKr4.97bn as polyolefin sales volumes increased by 4 per cent to 510,000 tonnes.

Borealis said profitability in the European petrochemicals and polyolefins industry during the first quarter reached levels not seen since the industry's peak in 1988.

But the group warned the duration of the upturn would depend on international economic developments, as well as the degree of responsibility shown by the polyolefins industry in adding new capacity.

Average market prices for polyethylene and polypropylene continued to rise, although at a slower pace. Naphtha feedstock prices were relatively stable with a slight increase in dollar terms seen in February offset by a weaker value of the currency.

High capacity utilisation in the second half of 1994 were maintained, with the exception of some production problems at a polyethylene plant at Sines in Portugal.

Reader's Digest warns of impending downturn

Reader's Digest has warned that higher newsprint prices and problems in its European operations would reduce earnings growth to below its 10 to 15 per cent target in 1995 and 1996, writes Lisa Bransten in New York.

At constant exchange rates, operating profits in Europe were down 11 per cent at nine months, the company said yesterday. The poor results in Europe were, however, offset by gains elsewhere.

The company cited three reasons for the weak European operations: poor response to mass mailings; increased competition for prize draws in the UK due to the introduction of the national lottery; and the discontinuation of an enterprise with a German partner with which the company conducted mass mailings.

Mr James Schadt, chairman and chief executive, said he was confident profit growth would resume its 10 to 15 per cent rate over the long term.

Strong US and other non-European markets helped the company lifts revenues 12 per cent in the third quarter to $793m from $709.2m for the same period last year.

Earnings also rose 12 per cent to $66m, or 59 cents a share, in the quarter.

Imasco posts 31% gain in first quarter

Imasco, the Canadian holding company 40 per cent owned by BAT Industries of the UK, posted a 31 per cent gain in first quarter net profit, writes Robert Gibbens in Montreal. The company benefited from strong contributions from the tobacco products and financial services units.

Earnings were C$98m (US$71.9m), or 82 cents a share, up from C$75m, or 60 cents, a year earlier on net revenues of C$2bn, compared with C$1.85bn.

Imperial Tobacco's contribution rose 16 per cent, financial services 29 per cent, and the US fast food unit gained slightly despite fiercely competitive conditions. The retailing and property units were stable.

The first quarter's pace of earnings growth may not be maintained for the full year, said Mr Purdy Crawford, but he expected 1995 to be another of year of solid growth.

Transocean blames rig contracts for loss

Transocean, the big Norwegian drilling rig owner, plunged into a first quarter pre-tax loss of NKr87m from a profit of NKr30m in the same period last year, writes Karen Fossli.

The company blamed the sharply weaker result on its rigs operating under contracts. However, the rigowner said these contracts were continuously being replaced by new ones with more favourable terms and a considerable improvement in day rates.

Operating revenue fell to NKr528m from NKr675m as operating expenses decreased to NKr508m from NKr569m.

Transocean said it had signed contracts for its mobile drilling units worth NKr419m so far this year and day rates considerably higher than those obtained during the first quarter.

It forecast a further improvement in utilisation and day rates due to a shortage of rigs.

Colonial Mutual sees listing in 1997

Colonial Mutual, the Australian life insurer with significant interests in the UK, is likely to demutualise and list on the Australian Stock Exchange during 1997, Mr Peter Smedley, managing director, said yesterday, writes Our Financial Staff.

"I think the most likely period [for demutualisation] is sometime in 1997," he commented. He was speaking after policyholders had unanimously approved April 30 as the first of two cut-off dates for eligibility for any benefits from the proposed demutualisation.

Demutualisation is the process by which a mutual insurer, controlled by its policyholders, converts to "normal" shareholder-owned status.

As a result of yesterday's vote, only policies accepted by Colonial on or before April 30 and still in force at a second date closer to demutualisation will be able to participate in the issue of any shares by the insurer.

Dyno Industrier almost doubled to NKr250m

Dyno Industrier, the Norwegian chemicals, explosives and plastics group, said yesterday that first quarter pre-tax profits nearly doubled to NKr250m from NKr130m, writes Christopher Brown-Humes.

The result reflected good demand and cost-cutting measures, said Mr Arild Ingierd, chief executive. Gross operating income rose 26 per cent to NKr2.86bn while operating profits more than doubled to NKr319m from NKr172m.

The best performance came from the chemicals division, where operating profits rose to NKr223m from NKr100m as sales climbed to NKr1.08bn from NKr704m.

The main impact came from higher contract methanol prices, which were DM815 a tonne during the quarter, compared with DM285 a year ago.

Explosives boosted operating profits to NKr58m from NKr36m, even though sales growth was held to 4 per cent by the weaker dollar. Profits from plastic doubled to NKr40m.

Citibank plans phone banking in Germany

By Andrew Fisher in Frankfurt

The growing trend in direct banking in Germany gained fresh impetus yesterday with Citibank's announcement of a new telephone banking service. The bank said the service went further than similar operations launched by rivals to attract cost-conscious and technology-oriented customers.

The new service, CitiDirect Banking, will start in September and be extended to other European countries. The US bank's German private customer unit, Citibank Privatkunden, said it would be based in Aachen, near Germany's border with Belgium and the Netherlands.

Staff will be available for full banking, financial and insurance services and advice 24 hours a day, seven days a week, including public holidays. This, claimed Citibank, put its operation beyond those offered by competitors. It compared the venture with First Direct, the successful UK direct banking operation owned by Midland Bank.

As part of the drive by German banks to broaden their appeal and be more competitive, customers are being offered discount broking, telephone banking and direct banking services. Commerzbank has just started its Com-Direct operation, and Deutsche Bank plans a rival direct banking service called Bank 24.

Citibank said it would employ around 100 full- and part-time staff in Aachen. This will be increased by several hundred if business develops as expected.

The bank, with more than 300 branches in Germany, already runs CitiPhone Banking (based in Bochum, in the Ruhr) to handle payment transactions. This service, and Citi Direct, will now be managed by a new unit called Citi Services.

UK retailers search anxiously for the elusive feelgood factor

By Motoko Rich and Neil Buckley

"We can't pretend that things are other than still quite tough out there," said Mr Chris Thomson, finance director of Austin Reed, the up-market UK clothing group which yesterday announced a 5.8 per cent rise in pre-tax profits.

It is not just beleaguered politicians who are feeling the absence of a feel-good factor. Retailers are echoing the warning of the UK chancellor, Mr Kenneth Clarke, that it will be some time before the elusive factor is rekindled.

Clothing retailers such as Sears, French Connection and Austin Reed – all of which reported results this week – commented on "difficult" or "challenging" conditions, not only last year, but in the coming one.

Trevor Humphries

Barry Reed, chairman, (left) and Colin Evans, chief executive at Austin Reed, where *'things are still quite tough'*

Mr Thomson said that although like-for-like sales were growing, they were not rising at the rate the company had grown accustomed to recently. Sears, one of the UK's largest clothing retailers including chains such as Wallis, Warehouse and Miss Selfridge, said on Tuesday like-for-like sales in the year to January 31 were up 5.7 per cent, but sales growth since then had slowed to 4.5 per cent.

This slow-down has been reflected in official government figures, which last month showed a fall in retail sales growth. As the second biggest retail sector after food, clothing is seen as a good barometer of the economy.

Mr Liam Strong, Sears chief executive, said consumers were feeling the full effect of phased tax increases and were nervous about possible interest rate rises.

"Nervousness to spend is very much an influence," said Mr David Bernstein, chairman of French Connection, the fashion clothing group. He added that consumer caution was not unique to the UK, noting that like-for-like sales were flat in the US this year.

Inquiry launched into Cray share fall

By Christopher Price

The London Stock Exchange has launched an inquiry into the circumstances surrounding the share price collapse at Cray Electronics, the data communications group which issued a profits warning on Monday.

The move follows angry reaction to Cray's announcement, with some investors and analysts critical of the management's timing and version of events.

Cray's shares halved on the news, dropping from 155p to 79p. They closed yesterday at 75p.

Last night, Mr Jon Richards, chief executive, welcomed the inquiry: "We have been complimented by our smaller shareholders over our handling of this issue. Normally in these situations there is a slow downward drift in the shares prior to the announcement – but there was clearly nothing in the market."

The company blamed the shortfall – which will reduce last year's £26.2m figure to about £6m, against previous forecasts of about £32m – on problems within Cray Communications, its computer networking division.

Mr Richards said problems were first detected in the division, which accounts for about 70 per cent of group sales, in August. By December, the decision had been taken to replace Cray Communications' chief executive, Mr Ray Piggott, for failing to meet sales targets and cost overruns.

At the interim results in January, no mention was made of Mr Piggott or the problems at Cray Communications.

A number of senior executives, recruited by Mr Piggott, were subsequently sacked. Mr Richards said the group's normally strong second half meant that until recently, the board still believed it could hit April year-end targets. But changes made to the manufacturing process had adversely affected the ability to respond to orders.

THE LEX COLUMN

Electrical retailers

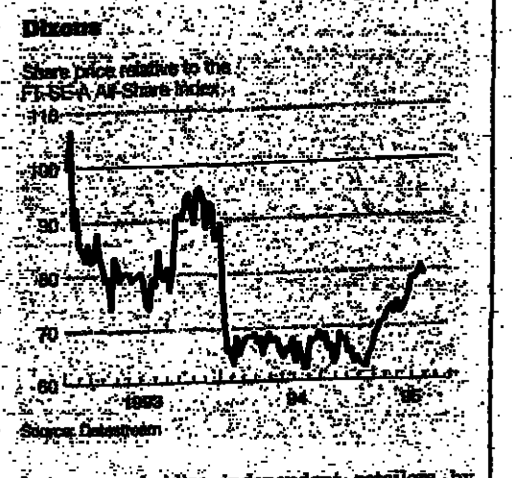
The monopolies inquiry into the supply of electrical goods to retailers is odd – especially the suggestion that the sector is uncompetitive. It is ravaged by competition so fierce that among the larger operators only Dixons, the market leader, is making money. Rumbelows, Clydesdale, and a handful of regional electricity companies have all thrown in the towel in the recent past.

The sharp fall in the Dixons share price yesterday is an understandable, if knee-jerk response. Any possibility that competition in the sector may intensify further is disconcerting.

The Monopolies and Mergers Commission, however, will take months to reach a conclusion and, even if it finds that manufacturers are keeping prices artificially high, that does not necessarily mean that the big retailers' thin margins will be undermined further.

In particular, the threat from discount warehouse clubs will be strictly localised: Nurdin & Peacock's closure of its clubs in March shows how hard it is to establish the format in the UK.

Paradoxically, the investigation could end up benefiting Dixons and Comet. If there is any distortion in the market, it is that manufacturers subsidise independent retailers by allowing them to buy on favourable terms. Independent retailers would be forced out of the market if competition worsened.



Shrinking of market capacity is good for Dixons' share price: it is a central factor behind the 19 per cent outperformance of the shares in the past year. It may not be good for consumers.

Back to basics for the utilities?

Michael Smith finds investors questioning diversification

Yorkshire Electricity's ill-fated international division never achieved the overseas diversification for which it was formed. But it was remarkably profitable.

Earlier this year it received About £17m as compensation for an aborted deal to buy into Stockholm Energi, Sweden's third largest energy producer.

"The money we received from Stockholm was more money than all of the other UK utilities put together have made by investing abroad," says Mr Malcolm Chatwin, Yorkshire chief executive.

Amid growing concerns among institutional investors about UK utility diversification, the company last week said it had pulled the plug on the division.

The decision is part of a trend among some of the 12 UK regional electricity companies to concentrate on existing businesses, mostly power supply and distribution.

The most obvious result has been a series of decisions to quit retailing.

East Midlands Electricity decided last year that its diversification days were over after running into difficulties in its purchases of several contracting companies.

Earlier this year Northern Electric indicated that it, too, would be sticking to the core businesses as part of its defence strategy against Trafalgar House, the conglomerate which has tried and so far failed to take it over.

Suddenly the policy of Chester-based Manweb, which has largely eschewed diversification ever since privatisation, no longer seems unusual. However, the back-to-basics campaign is not universal. Eastern Group, the largest of the recs, is happily expanding its gas and generation portfolios. Midlands Electricity is continuing to look abroad, including the Czech Republic, for opportunities. Manchester-based Norweb has already invested in a US generation scheme distributor, and, like ScottishPower, is expanding significantly its retail operations.

So which strategy is the right one? Do investors want their utility companies to be daring but dangerous or safe but dull?

Yorkshire Electric's decision to abandon overseas diversification was taken after discussions with institutional investors prompted by the company's fears that it could become a takeover target.

Mr Chatwin says the discussions revealed most institutions wanted value to be returned to shareholders rather than spent on projects which took three to four years to show a return. The recent decision by Professor Stephen Littlechild, industry regulator, to reconsider price controls had caused institutions "to think even more short-term than before", says Mr Chatwin.

Fund managers have generally – though not universally – welcomed Yorkshire's decision, and the company's share price has performed better than that of most recs in the week since the announcement.

"We have never been great fans of utility diversification," said one institutional investor.

"Recs are struggling to handle the England and Wales regulator with whom they have to deal. What makes them think they can do any better with the regulator in, say, Greece?"

Another fund manager supporting Yorkshire's decision says there has been no evidence that the regional electricity companies can prove themselves abroad.

The contrary view is that an unadventurous rec risks sidelining itself in the long term.

One analyst said: "If all the utility companies do is hand back the money to shareholders, they are denying themselves opportunities for future growth."

According to another, as a defence against takeovers Yorkshire's move is sensible. "The danger of diversification is that another company will come to break up the diversifier before the acquisitions have had a chance to prove themselves.

"But by sticking to core businesses, utilities could become high-yielding stocks with limited growth prospects. Some investors will find that a rather gloomy proposition."

Abbey's share of new lending dips

By Alison Smith

Abbey National, the home loans and banking group, said yesterday that its share of new mortgage lending in the first three months of this year was below its normal level of 12.5 per cent.

The bank's first quarter trading statement also revealed that its share of retail savings had slipped slightly below its usual 8.5 per cent share.

It acknowledged that the net interest spread in the retail savings and home loans business was narrowing from the exceptionally high level achieved in the back half of last year.

The shares fell 9p to 463p yesterday.

Mr Ian Harley, finance director, said, however, that the spread was still above the 2.10 per cent earned in 1994 as a whole, and he added that new net lending was higher than in the first quarter of 1994.

Lord Tugendhat, Abbey's chairman, told the annual meeting yesterday that it looked forward to "constructive discussions" with National & Provincial Building Society, the UK's ninth largest. On Monday, the bank's expression of interest in N&P was widely seen as hostile.

While some mortgage lenders believe that the public statement has reduced Abbey's prospects of reaching any agreement with N&P, Lord Tugendhat came under little pressure on this matter from shareholders.

Several of the points raised related much more closely to complaints about the service provided by the bank in individual instances.

● A report by analysts at Merrill Lynch yesterday predicted that mortgage margins would halve in the next two years, while the housing market would be flat for a similar length of time, before a housing boom.

It concluded that "most building societies. . .will cease to exist in any meaningful way over the next few years".

Gehe lifts AAH stake to 30%

Gehe, the German pharmaceuticals wholesaler, yesterday increased its holding in bid target AAH from about 26 per cent to almost 30 per cent.

The increase follows the disclosure that Threadneedle Asset Management had sold about 2m shares, nearly half its 5.5 per cent holding, and further selling in the market.

Asset value falls at F&C Pacific

Foreign & Colonial Pacific Investment Trust saw its net asset value decline by 17 per cent during the 12 months to January 31 as it adopted a "generally defensive policy" in the face of rising US interest rates and nervous emerging markets.

Assuming that loan stock would not be converted at current market values, net assets per share were 318.7p at the trust's year-end, against 386.3p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 28.04.95 Pool purchase price £/MWh	Firm Prices for Trading on 27.04.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.57	8.14	8.14
0100	9.55	8.09	8.09
0130	10.17	15.79	15.79
0200	12.83	10.60	10.60
0230	18.60	10.07	10.95
0300	13.10	14.14	15.02
0330	10.17	14.14	15.02
0400	9.57	14.14	15.02
0430	8.57	9.05	9.05
0500	9.57	15.79	15.79
0530	10.17	8.85	8.85
0600	10.18	15.79	15.79
0630	10.76	8.80	8.80
0700	14.24	8.79	8.79
0730	18.35	8.12	9.03
0800	22.65	11.69	12.85
0830	39.13	20.39	21.37
0900	39.61	11.70	12.67
0930	39.17	11.60	12.53
1000	38.80	11.59	12.52
1030	26.29	11.58	12.30
1100	22.89	20.21	21.19
1130	22.98	13.50	14.42
1200	22.91	20.21	21.13
1230	22.82	20.19	21.10
1300	22.22	13.45	14.35
1330	21.71	9.84	10.73
1400	20.64	8.03	8.92
1430	20.62	8.88	8.88
1500	20.61	8.85	8.85
1530	20.60	8.80	8.80
1600	20.56	8.79	8.79
1630	20.56	8.79	8.79
1700	20.57	8.80	8.80
1730	20.60	8.03	8.92
1800	20.56	8.03	8.92
1830	20.55	8.03	8.91
1900	19.54	8.79	8.79
1930	19.00	8.19	8.19
2000	11.80	8.02	8.91
2030	11.80	13.40	14.29
2100	20.55	13.40	14.29
2130	43.00	8.02	8.90
2200	43.00	8.02	8.90
2230	20.56	8.02	8.90
2300	18.58	8.19	8.19
2330	17.37	8.18	8.18
2400	10.76	8.10	8.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. eg [illegible]/MWh becomes [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 [illegible] between [illegible] and [illegible] Monday to Friday.
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COMPANY NEWS: UK

Order book stable followling decline in second half of 1994

Aerostructures down sharply

By David Blackwell

Shares in Aerostructures Hamble, floated almost a year ago at 120p, fell 3p yesterday to 30p after the aircraft parts maker reported a sharp fall in profits and turnover in 1994.

Pre-tax profits fell to £1.52m ($2.46m) from a restated £4.5m, while sales retreated from £70.4m to £62.2m.

Lord King, chairman, said that there had been no further decline in the 1995 order book following the deterioration in the second half.

However, he warned that this year's turnover would be "marginally less than that achieved in 1994".

Analysts yesterday suggested that the group would do little better than break even this year. "But it will have to run hard just to stand still," said one.

Mr Christopher West, the chief executive who started at the beginning of this year, said he had concentrated on getting the group's production programmes back on schedule, as well as on quality control.

He was confident that the company was big enough to survive within the industry.

The reliance on British Aerospace – which accounted for 60 per cent of sales last year – would continue to decline. It also expected a programme of work on the Boeing 737-700 series to generate revenue towards the end of this year.

The group issued profits warnings in September and October after raising more than £28m of new money in the June flotation. It blamed production problems on parts for BAe's Harrier jump jets.

The debacle claimed the heads of Mr Andy Barr, the chief executive who made £1.75m from the flotation, and his son Mr Brian Barr, who was the production director responsible for the performance of the factory where Harrier parts were made.

The Barrs came to Aerostructures from Rover Group, then owned by BAe. They brought a team determined to introduce Japanese-style car production techniques to the aircraft industry.

Signet renews its attack on rebels

By David Wighton

Signet yesterday renewed its attack on rebel preference shareholders who are seeking the break-up of the jewellery retailer.

The company repeated its argument that the rebels were proposing an "utterly unrealistic time scale" for the board to elicit offers for the businesses.

In a circular to shareholders ahead of the extraordinary meeting called by the rebels Signet said: "Your board believes that this would inevitably do serious damage to business confidence, causing uncertainty for all stakeholders, including lenders, suppliers and of course our staff."

Signet reminded shareholders that proxy cards must reach the company's registrars by next Wednesday.

The rebels, who require a simple majority, expect the support of the bulk of preference shareholders, accounting for 29 per cent of the votes.

Mr Julian Treger, adviser to the preference shareholders' UK Active Value Fund, dismissed the circular as "a panic announcement".

He said: "The statements from Mr McAdam [Signet's chairman] misrepresent the resolutions being put to the meeting. There is no fire sale proposal. The resolutions are quite clear in mandating the board only to seek offers. Any decision to dispose of businesses will need to come before shareholders at a later EGM."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aerostructures	Yr to Dec 31 ★	62.2	(70.4)	1.52♥	(4.51♠)	0.95	(8.46)	-	-	-	-	-
Aminex ☆	Yr to Dec 31	12.8	(0.399)	2.06	(0.192L)	0.04	(0.01L)	-	-	-	-	-
Austin Reed	Yr to Jan 31	71.1	(65.4)	7.34♠	(6.9)	16.6	(17.3)	4	July 3	3.5	6	5.5
Berkeley Business	Yr to Dec 31	18	(13.5)	1.21L	(4.11L)	0.9L	(12.1L)	nil	-	nil	nil	nil
Betterware	Yr to Feb 25	58.3	(63.2)	1.01♠	(14.1)	1.2L	(9.4)	1.75	July 24	1.95	2.6	2.6
Daks Simpson	Yr to Jan 31	76.8	(71.7)	6.49	(5.22)	82.44	(46.66)	-	-	-	-	-
Dominion Energy	6 mths to Dec 31	0.259	(-)	0.151L■	(0.005)	0.3L	(-)	-		-	-	-
Ecclesiastical Ins	Yr to Dec 31	182.8	(175.6)	13.7	(13.9)	-	(-)	-	-	-	-	-
Etam	Yr to Jan 28	218.5	(220.3)	10.7♠	(14.01♠)	10.9	(13.57)	5.75	July 7	5.75	7.7	7.5
Folkes	Yr to Dec 31	38.2	(39.4)	3.01	(1.72L)	6.39	(4.68L)	0.983	July 3	0.925	1.575	1.5
French Connection §	Yr to Jan 31	70.5	(63.9)	6.86	(5.14)	23.2	(17.3)	-	-	-	-	-
Highcroft Inv	Yr to Dec 31	1.25	(1.28)	1.18	(1.28)	14.9	(15.9)	3.5	July 4	3.3	5.5	5.2
ICI	3 mths to Mar 31	2.48	(2.15)	244♥	(103♥)	21.1	(6.9)	-	-	-	-	27.5
Jacks (William)	Yr to Jan 31	74.6	(52.4)	0.795	(0.383)	4.4	(1.44)	nil	-	nil	nil	nil
Magnolia	Yr to Dec 31	18.3	(17.6)	1.96L♠	(0.072)	40.76L	(1.08)	0.1	June 12	0.1	0.1	0.1
Moran §	6 mths to Dec 31	30	(26.7)	0.68	(0.789)	2.23	(2.9)	nil	-	nil	nil	nil
Trinity Holdings	Yr to Jan 31	163.8	(136)	13.1	(10.6)	16.8	(13.8)	4.85	July 31	4.2	7.1	6.2
Usborne	6 mths to Dec 31	101.6	(94.5)	0.438L	(8.04L)	1.21L	(8.63L)	-	-	-	-	-
Yorklyde	Yr to Jan 31	19	(15.4)	4.08	(2.98)	27.6	(20.6)	4.85	July 1	3.8	7.25	6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust New Thai	Yr to Feb 28	168.22	(165.9)	0.39	(0.206)	2.6	(1.37)	1.75‡	June 28	1	1.75	1
British Empire	6 mths to Mar 31	98.31	(107.88)	0.545	(0.377)	0.41	(0.28)	0.25	Jun 13	0.25	-	0.96
F&C Pacific	Yr to Jan 31	318.7	(386.3)	5.58	(4.12)	5	(3.87)	1.55	June 16	1.35	2.75	2.25
Gartmore British	3 mths to Mar 31	75.5	(75.4♦)	0.379	(-)	1.85	(-)	1.95	-	-	-	5.46♦
Govett Oriental	Yr to Mar 31	360.74	(397.63)	2.68	(2.34)	1.49	(1.3)	0.8	June 30	0.75†	1.2	1.15
Investors Capital	6 mths to Mar 31	134.73	(139.4)	7.21	(6.26)	2.92	(2.53)	1.325	June 9	1.3	-	5.2
Kleinwort Emerging	Yr to Mar 31	106.5	(136.5☐)	0.094L	(0.001L)	0.33L	(0.01L)	-	-	-	-	-
L'don Amer' Growth	Yr to March 31	55.9	(64.5)	0.438L	(0.105)	0.44L	(0.07)	-	-	-	-	-
Majedie Invs	6 mths to Mar 31	222	(234)	1.13	(1.34)	2.16	(2.55)	2	July 7	2	-	5.25
Radiotrust	Yr to Jan 31 ★	76.1	(73.1)	0.056	(0.037)	0.65	(0.43)	-	-	-	-	-
Scottish Mortgage	Yr to March 31 ★	241.56	(256.21)	18.8	(14.8)	5.21	(4.12)	3	July 3	2.75	4.4	4.1
Wigmore Property	6 mths to Mar 31	73.9	(99.3)	0.062	(0.013)	0.31	(0.06)	0.25	June 16	nil	-	0.5

Dividends shown net. Figures in brackets are for corresponding period. §USM stock. ♠After exceptional charge. ♥After exceptional profit. ■Post-tax. ‡Includes special of 0.85. ♦Excludes special of 0.54p. ★Comparatives restated. †Foreign income dividend. ♦As at December 31 1994. ☆US dollars. ☐Comparatives for nine months to March 31 1994.

Trinity advances to £13m

By Geoff Dyer

Trinity Holdings, the UK's leading specialist vehicle manufacturer, announced yesterday a 23 per cent increase in pre-tax profits, helped by continued recovery in the UK bus market.

Pre-tax profits rose to £13.1m (£10.6m) in the year to January 31, on turnover 20 per cent ahead at £163.8m (£136m). At the operating level, margins were slightly higher at 8.1 per cent (7.8 per cent).

Bus registrations in the UK increased by 32 per cent and Trinity was boosted by a record order from Badgerline, the bus company, for 576 buses, together with another 150 buses for Stagecoach. Dennis Specialist Vehicles, which supplies the bus, coach and fire markets, advanced turnover by 30 per cent.

Mr Geoff Hollyhead, chairman, said that 60 per cent of buses in the UK were over ten years old, compared to 40 per cent ten years ago. "There is a great deal of pent-up demand," he added.

He said that the group's order book in the first quarter was 25 per cent ahead of last year and promised another year of substantial profits growth. Exports were expected to grow strongly due to the recovery in continental Europe and the joint venture in Malaysia, which was signed last year, was exceeding expectations.

Dennis Eagle, which manufactures refuse vehicle chassis, saw turnover rise 11 per cent, after making its first sales to the Ministry of Defence.

Sales from Carmichael, which manufactures fire fighting vehicles, fell sharply because of delayed export contracts. Airport vehicle sales more than doubled to £12m on the back of a contract with British Airways.

Despite increased capital expenditure of £3m, net cash was slightly higher at £7.6m (£7.2m).

Earnings per share were 22 per cent ahead at 16.8p (13.8p). A final dividend of 4.85p is recommended, making 7.1p (6.2p) for the year.

Weak UK side leaves Betterware at £1m

By David Wighton

Betterware, the direct home-shopping group whose shares have lost 85 per cent of their value over the past two years, saw pre-tax profits drop from £14.1m to just £1m in the year to February 25.

The shares fell 3p to 43½p.

Operating profits from the core UK business were halved to £6.39m and there were exceptional charges of £5.1m covering restructuring costs and write-down of assets at non-core activities.

But Mr Andrew Cohen, chairman, said the group had addressed weaknesses in the UK direct home selling operation which is currently trading at levels slightly ahead of last year on a lower cost base.

"With the reshaped structure, a strong balance sheet, cash resources and continuing cash generation we have every confidence in restoring steady and consistent growth."

The UK operation saw sales fall by 9 per cent to £45m in the year, in line with the first half decline, after a drop in the size of its field sales force.

Mr Cohen said that the central operation had been reorganised, the catalogue redesigned, new ranges introduced and a programme of retraining of the field sales force initiated. He added that the teething problems with its new £10m distribution centre in Birmingham were now behind it.

Group staff numbers have been cut by 100 from last year's peak of more than 500.

Start-up operations in Europe, which had sales of £4.3m (£2.9m), lost money but the French business, where sales rose 41 per cent, has passed breakeven following last year's move of distribution centre. Sales in Spain tripled from a low base and the decision to centralise all product distribution at the French facility in Reims should mean an earlier move into profit.

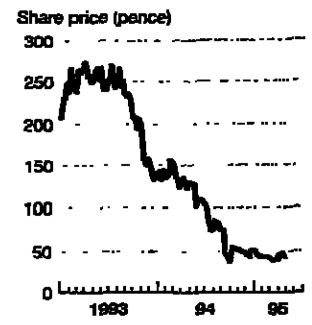
The German operation, which started trading in September, had a slow start.

The exceptional costs associated with centralising European management were £1.65m. Betterware was also hit by a £700,000 write-off on investments in short-term financial instruments.

After a cash outflow of £2.3m the group ended the year with net cash of £3.1m.

Betterware

Share price (pence)



Source: Datastream

WM launches brokers' service

By Norma Cohen, Investment Correspondent

WM Company, the performance measurement concern, is launching a service to track the returns of private client stockbrokers, allowing wealthy individuals who use them to compare for the first time their broker's service against others.

Private client stockbrokers, who make investment decisions on an estimated £4bn to £5bn for individuals, mostly rely on long-standing family or community relationships as a source of new business.

Their clients have traditionally paid less attention to absolute returns than to the quality of the service and the personal relationship established.

However, Mr Stephen Connelly, market development manager with WM Company, said that recent fierce competition between private client stockbrokers had created demand for the first time for independent performance measurement.

Widely used by pension fund trustees, independent performance measurers will calculate the total return earned on the client's investment portfolio and allow comparison with the industry median.

Fund managers who habitually underperform are usually replaced after a few years.

The service will initially not be used to help clients compare managers but will allow managers to see how they compare with the industry average.

The second stage of the product will allow managers to produce a historic track record of their performance which they can then use as a marketing tool in soliciting new business.

Thirdly, WM intends to create an industry average annual return so that clients whose portfolios are measured can make comparisons for themselves.

VSEL to pay second interim

By David Wighton

VSEL, the submarine builder at the centre of a bid battle between British Aerospace and GEC, is to pay shareholders a second interim dividend of 30p, instead of a final.

The company decided to advance the dividend, which is higher than analysts were expecting, to ensure that it is received by shareholders if the bidding restarts.

Mr Michael Heseltine, the trade and industry secretary, is expected to announce shortly whether the two bids can proceed.

The Monopolies and Mergers Commission submitted its report to Mr Heseltine two weeks ago. Most observers believe the commission has recommended that the BAe bid be cleared without any conditions and that GEC be cleared, subject to undertakings relating to its competing Yarrow shipyard on Clydeside.

REPAP ENTERPRISES INC.

NOTICE

to holders of

U.S.$ 200,000,000 FLOATING RATE NOTES DUE 1997

Constituted by a Trust Deed dated 16 July 1990 and deeds supplemental thereto

I. Pursuant to paragraph 20 of the Third Schedule to the Trust Deed, notice is given that the following written Extraordinary Resolution was effected on 31 March 1995.-

"Pursuant to the Third Schedule of the Trust Deed dated 16th July, 1990 made between Repap Enterprises Inc. (the "Issuer") and The Law Debenture Trust Corporation p.l.c. (the "Trustee") constituting the U.S. $200,000,000 Floating Rate Notes Due 1997 of the Issuer (the "Notes") and amended by a First Supplemental Trust Deed dated 17th May, 1993, a Second Supplemental Trust Deed dated 17th May, 1993, a Third Supplemental Trust Deed dated 15th September, 1993, a Fourth Supplemental Trust Deed dated 13th January, 1994 and a Fifth Supplemental Trust Deed dated 12th July, 1994, we the undersigned, representing 75 per cent or more of the holders of the Notes entitled to attend and vote at Meetings of the Noteholders hereby:-

1. pursuant to Condition 4 of the Terms and Conditions of the Notes approve the incurring by Repap New Brunswick Inc. (formerly Miramichi Pulp & Paper Inc.) (a Subsidiary of the Issuer) of refinancing, namely the issue by Repap New Brunswick Inc. of U.S. Senior Secured Notes offered in a Prospectus dated 13 March 1995 as amended from time to time;

2. assent to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Schedules to the Trust Deed and the provisions of the Trust Deed as set out in the draft Sixth Supplemental Trust Deed in form of the draft attached to this Written Resolution;

3. authorise and request the Trustee to concur in the modifications referred to in paragraph 2 of this Resolution and, in order to give effect to it, to execute the Sixth Supplemental Trust Deed with such amendments (if any) as the Trustee shall require;

4. sanction every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and holders of the coupons relating to the Notes against the Issuer involved in or resulting from the modifications referred to in paragraphs 2 and 3 of this Resolution."

II. Pursuant to Condition 6.2.2. of the Terms and Conditions of the Notes as inserted by the Sixth Supplemental Trust Deed dated 18th April 1995, notice is given that on 12 May 1995 the Issuer will redeem all of the Notes at their outstanding principal amount with interest accrued to that date and together with the Capitalised Amount and the Capitalised Waiver Fee.

Payments in respect of Bearer Notes will be made against presentation and surrender of such Bearer Notes at the offices of the Paying Agents specified below by U.S. dollar cheque drawn on, or, at the option of the holder, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City. Payments in respect of Registered Notes will be made against presentation and surrender of such Registered Notes at the office of the Registrar specified below or at the office of any Transfer Agent. Upon application of the holder to the specified office of the Registrar or any Transfer Agent such payment may be made by wire transfer to a U.S. dollar account maintained by the payee with the bank in New York City.

The rate of interest for the period from (and including) the preceding Interest Payment Date (19 April 1995) to (but excluding) 12 May 1995 as determined pursuant to Condition 5.11 (as inserted by the Sixth Supplemental Trust Deed) is the sum of 6.2500% and 2.8750%. The amount of interest payable in respect of each U.S.$250,000 Original Principal Amount of Notes and each Capitalised Amount and Capitalised Waiver Fee added in respect of each U.S. $250,000 Original Principal Amount of Notes as determined pursuant to Condition 5.11 will be U.S. $1,348.34.

Principal Paying Agent
Barclays Bank PLC
Barclays Global Securities Services
Willow Grove House, The White Horse Business Park
Trowbridge, Wiltshire,
England, BA14 0YT

Principal Transfer Agent and Registrar
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham Kent BR3 4TU

Paying Agent
Banque Internationale à Luxembourg S.A.
2 Boulevard Royal, Luxembourg L-2953

REPAP ENTERPRISES INC. 28 April 1995

Banca Nazionale del Lavoro S.p.A.
(London Branch)

DM 75,000,000
Floating Rate Depositary Receipts due 1995

In accordance with the Conditions of the Receipts, notice is hereby given that for the Interest Period from April 28, 1995 to October 31, 1995 the Receipts will carry an Interest Rate of 4.66797% per annum.

The Coupon Amount payable on the relevant Interest Payment Date, October 31, 1995 will be DM 241.18 per DM 10,000 principal amount and DM 2,411.78 per DM 100,000 principal amount.

The Reference Agent
KBL Kredietbank Luxembourg

KB IFIMA N.V.
KB Internationale Financieringsmaatschappij N.V.

US$ 150,000,000
Guaranteed Floating Rate Notes due 2011

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from April 28, 1995 to July 31, 1995 the Notes will carry an Interest Rate of 6.2125% per annum.

The Interest Amount payable on the relevant Interest Payment Date, July 31, 1995 against coupon N° 37 will be US$ 162.22 per US$ 10,000 principal amount of Note and US$ 4,055.38 per US$ 250,000 principal amount of Note.

The Agent Bank
KBL Kredietbank Luxembourg

fortis AG

Dividend increases sharply

Dividend per share (in BEF)	1994 gross	1994 net	1993 gross	1993 net	Increase of the net dividend in %
Ordinary share	100.00	74.25	76.77	57.00	30
Share with reduced withholding tax (AFV share in 1995)	100.00	86.61	80.07	59.45	46

Optional dividend

Subject to the approval by the general meeting of 30 May 1995 of the amount of the dividends relating to the 1994 financial year, the Board of Directors of Fortis AG proposes that these dividends be paid to shareholders either in cash or in shares.

The subscription price of the shares, which will serve to increase the capital of the company, will be set on 30 May 1995.
This price, divided by BEF 74.25, will give the number of no. 6 coupons necessary for subscribing one new share. The new shares will be shares with reduced withholding tax (VVPR shares).

The brochure explaining the practical arrangements of the stock dividend will be available as from 7 June 1995.

The subscription period for the stock dividend runs from 9 to 20 June 1995 inclusive.

Dividends not applied to the capital increase by means of stock dividend will be paid in cash as from 29 June 1995.

Holders of VVPR shares may also opt to receive their dividends in the form of new shares on the basis of a dividend of BEF 74.25 per share. The difference between this amount and the cash dividend on VVPR shares, i.e. BEF 12.36, will be payable in cash as from 29 June 1995.

Further explanations can be obtained by phoning 32 (0)2 220 78 67

Fortis AG S.A.
Boulevard Emile Jacqmain 53
1000 Brussels, Belgium
Brussels Trade register no. 1811

fortis
Fortis AG and Fortis AMEV
are the two parent companies of Fortis

COMMODITIES AND AGRICULTURE

EBRD backs Ukrainian oil and gas project

By Matthew Kaminski in Kiev

The European Bank for Reconstruction and Development has finalised an $8m deal to help extract oil and natural gas in central Ukraine.

The London-based bank's first private sector loan in Ukraine will support the Poltava Petroleum Company, a joint-venture involving JKX Oil and Gas of the UK, a $100m private company, with 49 per cent, to raise output at its five wells on the Novo-Nikolaevskoye field near Poltava, 200km east of Kiev.

Mr David Davis, the company's general director, said the first $32m planned expansion phase was intended to push daily production up to 1.3m cu m of natural gas and 1,700 tonnes of oil by June 1996.

The company, which started oil production late last year and natural gas early this year, currently operates at a third of that capacity.

It believes the Novo-Nikolaevskoye field contains proven reserves of 1,100bn cu ft of natural gas and 60m barrels of oil and oil condensate.

The 20-year expansion programme aims at peak capacity of 7m cu m of natural gas and 3,000 tonnes of oil and condensate a day, Mr Davis said.

The EBRD funds will help complete wells originally drilled by Ukrainian companies up to 20 years ago, drill new wells and install export facilities.

The Ukrainian government, a party to the joint-venture, has first right to buy at world prices all oil and gas produced at Poltava. Mr David Robson, JKX managing director, said the company wanted to continuing selling to Ukraine. The oil can be refined at the nearby Kremenchuk refinery, one of Ukraine's six refineries.

"Profit is outstanding," Mr Robson said. "We've chosen to reinvest continually."

JKX's other Ukrainian venture, the Crimean Petroleum Company, planned to exploit the first offshore well in the Black Sea in July, Mr Robson added.

Ukraine's plentiful natural resources were not developed during the Soviet period when other regions, such as Siberia, could be exploited more cheaply. But newly independent Ukraine has looked to its resources and a good energy transport location and infrastructure to break free from dependence on Russian energy.

The second biggest east European country in January approved a plan to construct a new 40m tonne oil terminal near Odessa that would receive Middle East crude via Turkey's Samsun Black Sea port for domestic use and re-export.

Mr Ronald Freeman, the EBRD's vice president, this week called the Poltava project an important if small step in diminishing Ukraine's dependence on foreign energy sources and "reducing the need to export hard currency" to purchase mainly Russian oil and gas.

"This is not the last loan to the gas sector," he said.

Ukraine in just three years has run up a $6.7bn national debt, overwhelmingly for energy.

Mr Freeman called energy a priority sector as the EBRD this year sought to double commitments in Ukraine, currently at Ecu168.8m.

India aims for richer sea food cocktail

Too little value is being added domestically to the country's catch, writes **Kunal Bose**

India's *progress in adding* value to its marine products before export has so far been painfully slow.

"Of our total expected export of $1bn worth of marine products during the year to March 31, 1995, the share of value-added items will be less than 10 per cent," according to Mr K.B. Pillai, chairman of the Marine Products Export Development Authority.

India continues to export marine products mostly in bulk it because it lacks the processing infrastructure for producing ready-to-cook and ready-to-eat convenience packs. "We need foreign collaboration both in technology and marketing to be able to market specific products for specific markets. We have always been a bulk exporter of raw material in block frozen form, which at the buyer's end is reprocessed and packed under known brands," says Mr Pillai.

Some Indian exporters, not owning any globally known brands, have signed up with food companies in the US and the UK to market marine products in value-added consumer packs, says the MPEDA chairman. "The structural change in India's marine product export can come about only gradually. I would like to see the share of value-added items constituting 30 per cent of our marine export by the turn of the century. But, I am aware that this is an ambitious target."

Several seafood exporters point out that, besides the value addition exercise, there is a need for improvement in product quality if they are to maintain exports to the European Union beyond January 1996. The inadequacy of existing quality control is underlined by the fact that nearly 20 per cent of the catch is discarded because of bad handling on board trawlers and at landing centres.

Under tropical condition, fish deteriorate quickly. "The basic challenge is to get the seafood frozen quickly following the catch," says an MPEDA official. "To the extent that our seafood is individually quick frozen, its hygiene and also its unit value realisation in the world market go up. We are going through a transitional phase from the traditional block freezing of marine products to the individually quick freezing of fish."

Considering that India exported well over 250,000 tonnes of marine products in 1994-95, its capacity for individually quick freezing about 400 tonnes a day, distributed among 75 plants, is clearly insufficient. However, the prospect of increased earnings and the availability of subsidies from MPEDA will encourage more and more processor exporters to set up IQF plants.

"While we must strengthen our research and development machinery to be able to introduce new products in keeping with the changing dietary habits in the developed countries which are our principal markets, the upgrading of seafood processing calls for the import of technologies in several fields," says an MPEDA official.

The emphasis India is now putting on maximising fish export earnings is a response to changing conditions in the world food market. In all developed countries a major shift in demand from meat to sea food, which is seen as the safest food of animal origin, is taking place. There is already a shortfall in the supply of seafood and according to the MPEDA world demand will exceed availability by at least 20m tonnes by the turn of the century.

India's potential harvest from its 2.02m sq km exclusive economic zone is limited to an estimated 3.9m tonnes a year, but the country is second only to China in its scope for inland cultivation of fish.

The catch in coastal areas, within a depth of 50 metres, constitutes the overwhelming bulk of India's annual marine production of about 2.7m tonnes. According to MPEDA officials, while there is no significant scope left for any further exploitation of in-shore fishery resources, offshore areas remain largely unexploited.

However, there is not going to be much increase in offshore fishing, at least in the near future, as the government has decided not to issue any further licences to foreign companies or joint ventures for deep sea fishing pending a review of the 1991 policy. A fresh look at the policy is being taken in the wake of a country-wide protest by the traditional fishermen against the operation of deep sea trawlers.

The food processing ministry does not accept the contention that deep sea fishing, which is yielding only about 35,000 tonnes a year, has affected the traditional fishermen. The total number of vessels operated by joint venture companies in the Indian zone has fallen to 37 from 75 in 1990. Government officials say the ideal thing to do in the present circumstances would be to extend the reserved area for coastal fishermen from 12 to 15 nautical miles while encouraging the corporations to step up fishing in deep sea waters.

Going slow on deep sea fishing will no doubt encourage poaching of marine resources by foreign trawlers and there is a strong case for encouraging the setting up of more joint venture companies to facilitate the acquisition of trawlers and the transfer of fishing and processing technologies. However, as the Congress Party, which holds sway over the federal government, has recently lost elections in Andhra Pradesh, Karnataka, Maharashtra and Gujarat and the general election in the country is due next year, the government is likely to frame the new fishing policy in such a way as to claw back popularity with the nearly 8m people engaged in fishing.

Argentina hails a year free of foot and mouth disease

By David Pilling in Buenos Aires

Argentina yesterday celebrated one year without an outbreak of foot and mouth disease, greatly encouraging its hopes of exporting beef, according to the National Animal Health Service.

The presence of the disease has hampered exports of Argentine meat for years, causing its exclusion from many markets, including the US, which has banned imports of Argentine fresh beef for 60 years.

In 1995, Argentina expects to earn about some $900m from some 450,000 tonnes of exports, but believes it could double the quantity exported in a matter of years if only it could be freed of import bans.

Argentina hopes to begin its export drive by persuading the US to authorise imports of 20,000 tonnes of boneless meat. Meat on the bone is far more likely to transmit the disease.

Last year US sanitary officials visited Argentina to determine whether foot and mouth had been fully eradicated. Mr Felipe Solá, Argentina's agricultural secretary, has described a relaxing of the US ban as "the concrete prize we are looking for".

Argentina hopes to market its grass-fed beef raised on the pampa as better quality than the meat produced by its competitors. Import approval by the US could lead to the opening of markets in Japan and south-east Asia, many of which have also banned Argentine beef.

Since 1989, farmers have spent an estimated $100m on a vaccination campaign aimed at eradicating the disease. Before the campaign began, Argentina had around 300 outbreaks a year, according to officials.

Mr Domingo Cavallo, economy minister, says that even if trading partners are unwilling to certify that Argentina has completely eradicated the disease, it should accept beef imports from designated disease-free zones of the country.

However, it is not clear whether potential buyers are fully satisfied that Argentina has adequate regulations to prevent the movement of cattle from one region to another.

Inco in Brazilian nickel venture

By Bernard Simon in Toronto

Inco, the Toronto-based nickel producer, has formed a joint venture with Korea Zinc to evaluate and possibly develop the Barro Alto nickel deposit in Brazil.

The partners aim to complete a detailed engineering study of the project before the end of the year. Construction work would begin shortly afterwards, with initial production expected towards the end of the decade.

The deposit, which is located in Goias state, 150km north-west of Brasilia, contains an estimated 36m tonnes of proven and probable reserves with a grade of 1.94 per cent nickel. A processing plant to be built on the site would have an annual production capacity of 40m lb of nickel matte with a life of at least 30 years.

Inco has had an interest in the deposit since the 1970s. A company official said yesterday that "a bunch of things have come together to make this viable". They include taxation reforms, and the provision of infrastructure, such as a high-capacity power line and a modern road network. Inco has been seeking a joint-venture partner for some time.

Under the agreement, Korea Zinc and its affiliates, including Korea Nickel, have an option to acquire up to 49 per cent of the venture. The Korean company will gain a guaranteed source of supply, and will handle the sale of surplus material.

Strikes cut Jamaican bauxite output

By Canute James in Kingston

Strikes that closed two refineries in late January and early February and a cutback by an ore exporter depressed Jamaica's production of bauxite (aluminium ore) to 2.52m tonnes in the first quarter of this year, 11.3 per cent less than the corresponding period of last year.

Alumina exports fell by 15.6 per cent to 665,887 tonnes, according to the Jamaica Bauxite Institute. Alumina Partners, which owns the island's largest refinery, and Alcan Jamaica, which operates two plants, were closed for just under a fortnight by strikes in a dispute with unions over a new wage contract.

Kaiser Jamaica Bauxite has cut its ore production by 25 per cent, and will produce 2.8m tonnes this year because of decline in orders. "We expect alumina [aluminium oxide] production to improve later in the year if there are no more strikes at refineries," said a bauxite institute official.

An increase in demand by refiners lifted Jamaica's bauxite production to 11.76m tonnes last year, from 11.22m in 1993, while alumina production rose from 2.98m tonnes to 3.32m tonnes, the highest ever annual output by the industry, according to the institute.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1843-4	1822-3

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
May	388.2	+2.0	388.2	387.0	274	95
Jun	388.9	+1.9	390.0	387.9	90,469	52,671
Aug	393.1	+1.8	393.2	391.3	23,878	625

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	119.35	+0.80	119.50	118.55	883	169
Jul	120.40	+0.90	120.75	119.50	780	81
Sep	104.75	+0.50	104.75	104.45	405	7

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	2330	+7	-	-	631	-
May	2358	+24	2365	2340	1,017	81
Jun	2245	+27	2265	2240	328	100
Jul	2080	+30	2080	2050	1,118	64
Oct	1998	-	2000	1990	1,137	93
Jan	1895	-3	1900	1895	457	45
Total					4,686	383

	Close	Prev
BFI	2333	2329

Wool

Australian wool prices fell sharply at sales in Sydney and Melbourne on April 26, the first to be held since the Easter recess. The Eastern market indicator was 36 cents down to 806 cents, following 842 cents, practically in line with the high point of the season, before the break. Yesterday the indicator fell another 13 cents to 793. Important in causing the sharp decline was China's absence from the market as an important buyer. For some time China has been recognised not just the as the leading buyer as a support for the strong demand/supply wool situation. Problems with firmer application of an import duty play a part in reduced competition. New Zealand crossbred prices were however well supported after an earlier decline, and the world statistical situation for wool is still seen as strong enough to prevent any prolonged collapse in prices.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	954	+13	954	941	13,852	5,482
Jul	985	+15	987	974	27,882	3,987
Sep	1004	+12	1008	996	18,991	245

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	63.700	+1.000	63.750	62.750	30,465	6,298
Aug	61.600	+0.650	61.650	61.000	11,025	1,635
Oct	62.825	+0.475	62.975	62.400	7,546	1,298

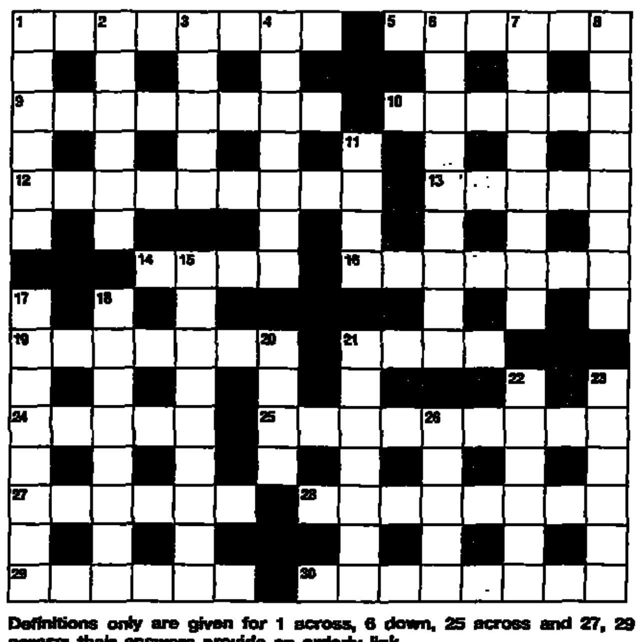
LONDON TRADED OPTIONS

LONDON SPOT MARKETS

JOTTER PAD

CROSSWORD

No.8,747 Set by QUARK



Definitions only are given for 1 across, 6 down, 25 across and 27, 29 across; their answers provide an orderly link.

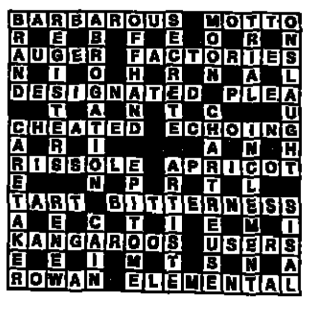
ACROSS

1 Immediate treatment (5,3)
5 Judge some classes superior (6)
9 Old coin found by island's aristocrat (8)
10 Mark church difficult to find (6)
12 Dreary routine of team drill, perhaps (9)
13 Fixes snail after shelling (5)
14 Left out of form; a bit sore? (4)
16 The mathematician's not the last one to argue (7)
19 No name with a lot of money returned is without interruption (7)
21 Painter making comeback in Bulawayo gallery (4)
24 Rocket in for terrific flight back (5)
25 Not of high quality (6-4)
27, 29 The press (6,6)
28 It's clerk in trouble: one making insistent demands (8)
29 See 27
30 English river in coloured environment? Rather naive (4-4)

DOWN

1 Limited feature of fish item unfinished (6)
2 Took stole (6)
3 Bit of textile plant providing cloth (5)
4 It's unruly in game I think (7)
6 Subordinate (9)
7 Desires leader to go for pay (8)
8 Garden centre workers cultivate demesnes (8)
11 Student in London district getting wallop (4)
15 The hat to a cockney is given back in kind (3-3-3)
17 Tyne free to flow; how much to go in? (5,3)
18 Teacher in form will (8)
20 The head is father, mostly (4)
21 Cartilage girl set after treatment (7)
22 An old ship right out of the Tate? (6)
23 Earned poorly and became closer (6)
26 The railway after a month is to run down (5)

Solution 8,746



INTERNATIONAL CAPITAL MARKETS

Land Securities whets investors' appetite

By Antonia Sharpe

Land Securities, the premier UK property company, captured the attention of the eurobond market yesterday when it raised £200m through an issue of long-dated bonds.

Although the 25-year deal was essentially a domestic offering, it raised hopes in the eurobond market that more sterling-denominated issuance was on its way. Land has a reputation for picking good moments to raise money, and its deal left the market hungry for more. However, given that many UK companies were flush with cash, syndicate managers were not holding their breath.

INTERNATIONAL BONDS

As with the recent long-dated sterling offering from Slough Estates, syndicate managers were divided about whether Land's deal was generously or aggressively priced, which indicated that the pricing was about right. The lack of supply in the eurosterling market has meant there are few current-coupon deals against which new deals can be priced.

Land's unsecured bonds were priced to yield 90 basis points over the 8¾ per cent UK government bond due 2017, and yielded only 30 basis points more than its secured debentures. Like Slough's deal, Land's bonds have a registered option which makes them eligible for corporate PEPs.

The bonds were sold quickly through Cazenove and S.G. Warburg, the joint leads with responsibility for distribution. This meant that by the end of the day, there were few bonds left with the underwriter, Schroders.

The borrower is believed to have chosen this old-fashioned syndicate structure for its deal. Although it worked well on this occasion, syndicate managers were ambivalent about its merits.

Elsewhere, Abbey National followed the European Investment Bank into the eurolira sector and raised L150bn through an offering of two-year fixed-rate bonds with a coupon of 12 per cent. Lead manager SBC said there was good demand for high-coupon and short-dated lira bonds among retail investors in Switzerland, Italy and the Benelux region.

Mr Jonathan Nicholls, director of corporate finance and capital markets at Abbey, said he had achieved floating-rate lire at a substantial margin below Libor by swapping the proceeds of the offering. The funds will be used by Abbey's Italian operation and placed in its Italian investment portfolio.

● Richemont, the Swiss-based holding company controlled by the Rupert family of South Africa, yesterday obtained just over £1bn worth of sterling equivalent in unsecured loan facilities from ABN-Amro Bank, Midland Bank and Union Bank of Switzerland to fund the purchase of the remainder of Rothmans International, the cigarette maker.

The facilities, the terms of which were not disclosed, are being provided to New Tobacco Holdings, Richemont's subsidiary which will own Rothmans, without recourse to Richemont.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bladex‡	150	(a)	99.935R	May.1996	0.125R	-	Citibank International
ESRA(b)‡	100	(b1)	100.00	Feb.2002	0.30	-	Merrill Lynch International
YEN							
Verbund★	15bn	4.10	100.00	May.2015	0.40	-	Nomura International
STERLING							
Land Securities(c)	200	9.00#	99.280R	Mar.2020	0.625R	+90(8¾%-17)	Schroders
Avco Trust(d)‡	75	(d1)	99.80R	May.1998	0.125R	-	UBS
SWISS FRANCS							
Pepsico★	125	5.00	103.375	Jun.1999	1.375	-	Swiss Bank Corp.
Deutsche Finance Curaçao	100	4.75	103.10	Jun.2000	2.00	-	Deutsche Bank(Schweiz)
Colgate-Palmolive Co.	100	4.75	103.00	Jun.1998	1.50	-	UBS
ITALIAN LIRE							
Abbey Natl.Treasury Services(e)	150bn	12.00	101.375	Nov.1997	1.375	-	Swiss Bank Corp.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +7⅝bp. b) Eurostate Secured Rated Assets. b1) 3-mth Libor +55bp. c) Spens call option. Short 1st coupon. d) Callable on coupon dates from Feb.97 at par. d1) 3-mth Libor +12½bp. e) Long 1st coupon.

Indian Hotels GDR priced 10% below stock

By Conner Middelmann

A $75m offering of global depositary receipts for Indian Hotels was priced yesterday at Rs520 per GDR, representing a discount of about 10 per cent to the underlying shares.

Indian Hotels stock had traded most of the day around Rs575, but closed at Rs590. The GDRs, which will be listed in London, are due to start trading today. Morgan Stanley led the issue.

While some dealers reported good take-up of the paper – one of only two GDR issues this year, and by a high-quality company – others said it had been dogged by recent weakness in the Indian stock and GDR market.

Still, dealers expect other GDR issues to surface in the coming weeks. These include a $350m issue for Steel Authority of India via Merrill Lynch and a $75m offering for Saw Pipes via Kleinwort Benson.

Turkey, one of the few emerging markets which has been powering ahead this year, is poised to offer international investors new shares in a leading brokerage house, Global Securities.

The company plans to issue 115m shares as part of a capital increase. They will be priced in a range of TL7,000 to TL10,000 each. Including a greenshoe option of up to 35m shares, the total issue size in dollar terms could be as high as $35m.

The deal will be lead-managed by Paribas Capital Markets and Turkey's Vakifbank. Some 60 per cent of the issue is targetted at international investors.

The issue represents a strong play on the Turkish stock market, where prices and trading volumes have risen sharply this year.

Meff poised to launch swaps trade initiative

Meff, Spain's options and futures exchange, is ready to launch an innovative clearing facility which will guarantee trades on the country's growing peseta-denominated interest rate swaps market.

Meff, through the Barcelona-based Meff Renta Fija (Meff RF), said its plans, which will cover swaps with a maturity of up to 10 years, would come into effect as soon as they were approved by the Spanish authorities.

DERIVATIVE INSTRUMENTS

"We are ready to go ahead when they give us authorisation," said Mr José-Luis Oller, general manager of Meff RF. He estimates the size of the market at Pta16bn a day (in terms of nominal value).

"The software for the system has been tested and we have demonstrated in-house that the system works," he said.

The development comes amid discussion in the international derivatives markets about other exchanges and clearing houses extending their activities into the over the counter market. A number of other initiatives in the swaps market have been developed.

Mr Oller said that Meff had received letters of intent from 12 Spanish and international banks wanting to act as clearing members for the new facility.

He said the swaps involved would be relatively simple deals, involving the exchange of fixed for floating-rate obligations. Trading would continue on an OTC basis, but the details of each individual transaction would be lodged with the clearing house.

As well as giving a counterparty guarantee, Meff would mark positions to market on a daily basis, calculate all margins – in real time, as it does now for futures and options contracts – and allow members to make payments on a net basis.

Mr Oller said Meff had developed an innovative way of liquidating the swaps portfolio of any defaulting member.

Work on the new project, which has been proceeding for about two years, is partially motivated by the need to diversify the Spanish bond future and option business of Meff RF.

Turnover in a range of bond and Mibor futures and options contracts has risen steeply since the 10-year contracts were launched in 1992. Volume at Meff RF grew by 142.2 per cent in 1994, to 19,735,329 contracts, making the exchange the fastest-growing in the world.

Growth has continued in the first three months of this year, with volume in 10-year bond futures reaching 1,465,837 in March 1995, the highest monthly figure for a year.

However, in the longer term, the prospect of European monetary union and the disappearance of peseta-denominated debt products is encouraging Meff RF to diversify. Although the initial focus of the new clearing facility will be on peseta swaps, Meff RF is hoping to extend it to cover other currencies.

Overall, the focus on clearing was part of a "defensive strategy" designed to meet the likely contraction in the number of derivatives exchanges, said Mr Oller.

Richard Lapper

Argentina's Bradys rated with other debt

Standard & Poor's, the US debt rating agency, yesterday assigned a BB- rating to the Brady bonds issued by Argentina, the same rating that applies to the country's other foreign currency debt, writes *Richard Lapper*.

Moody's, a rival agency, rates Brady bonds a notch lower than the other foreign currency obligations issued by a country. It argues there is a greater likelihood of default on Brady issues.

S&P said its decision to align the ratings of Bradys with other categories "reflects their equal seniority, dispersed ownership and declining, although still important, share of public external debt".

Treasuries down ahead of GDP data

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices slipped in thin trading yesterday as traders awaited today's release of preliminary figures on first-quarter gross domestic product growth.

At midday, the benchmark 30-year Treasury was down $\frac{7}{32}$ at $103\frac{7}{16}$ to yield 7.333 per cent, while at the short end the two-year note lost $\frac{1}{32}$ at 99⅞, yielding 6.551 per cent.

There was little reaction in the market to the Labour Department's weekly release of figures on initial unemployment gains for the week ended April 22.

Although the number of people filing first-time claims for unemployment jumped to its highest level since the week ended January 7, the figures failed to move the market off its lows, as traders remained focused on the release of GDP figures.

Analysts generally expect GDP growth to have slowed from the rapid pace of last year. The median economic forecast has it slowing to 2.9 per cent from 5.1 per cent in the fourth quarter of last year.

GOVERNMENT BONDS

Adding pressure to bond prices was a new supply of two-year and five-year notes auctioned by the Treasury Department into the market on Tuesday and Wednesday.

And the currency market did little to support bonds. In morning trading, the dollar gained against the D-Mark but slipped against the yen, to DM1.3760 and Y83.64, compared with DM1.3680 and Y83.78 on Wednesday.

■ European government bond markets made little headway in subdued conditions.

German government bonds fell back after rising to a high of 93.18 on the June bund futures contract on Liffe, to settle at 92.85, down 0.07 point.

Bunds received little stimulus from data showing a 0.2 per cent rise in April's cost of living index, in line with expectations. Mr Kirit Shah, of First Chicago, said bunds could suffer further losses over the next few days.

Mr Stephen Hannah, head of research at IBJ International, said the key figure in today's US first-quarter GDP data would be the size of inventories. "If inventories are growing strongly, then the market will be optimistic that bonds can forge ahead," he said.

■ UK government bonds were dragged lower by bunds. Short-sterling continued to come under pressure following strong GDP data earlier in the week which has fuelled expectations of a base rate rise next month.

The June short-sterling contract has fallen to 92.75, implying short-term interest rates of around 7.25 per cent by the end of June, compared with expectations of around 7 per cent at the beginning of the week.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.9100	+0.880	9.67	9.75	10.02
Austria		7.500	01/05	101.2400	+0.084	7.31	7.40	7.47
Belgium		6.500	03/05	91.0700	+0.120	7.83	7.94	8.07
Canada *		9.000	12/04	102.7500	-0.150	8.57	8.66	8.51
Denmark		7.000	12/04	89.5200	+0.120	8.64	8.78	8.92
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.9300	-0.120	7.79	7.89	7.94
Germany Bund		7.375	01/05	102.2100	+0.030	7.04	7.09	7.16
Ireland		6.250	10/04	83.6000	-0.100	8.83	8.83	8.81
Italy		9.500	01/05	81.4200	+0.580	12.92†	13.15	13.14
Japan	No 119	4.800	06/99	108.7420	-0.220	2.61	2.59	3.29
	No 174	4.600	09/04	108.6510	-0.430	3.39	3.32	3.99
Netherlands		7.750	03/05	104.3000	-	7.12	7.20	7.33
Portugal		11.875	02/05	97.8000	+0.050	12.25	12.31	11.94
Spain		10.000	02/05	87.9100	-0.130	12.14	12.17	12.28
Sweden		6.000	02/05	69.5750	+0.274	11.29	11.63	11.25
UK Gilts		6.000	08/99	92-02	-5/32	8.25	8.25	8.32
		8.500	12/05	100-21	-11/32	8.40	8.39	8.40
		9.000	10/08	104-27	-9/32	8.39	8.38	8.40
US Treasury *		7.500	02/05	103-08	-2/32	7.03	7.02	7.01
		7.625	02/25	103-14	+1/32	7.34	7.36	7.29
ECU (French Govt)		6.000	04/04	86.5900	-0.120	8.16	8.19	8.42

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.94	Two year	6.55
Prime rate	9	Two month	5.59	Three year	6.65
Broker loan rate	6½	Three month	5.87	Five year	6.84
Fed.funds	6	Six month	6.06	10-year	7.04
Fed.funds at intervention	-	One year	6.23	30-year	7.34

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.44	113.26	-0.08	113.56	113.22	93,687	110,591
Sep	113.00	112.84	-0.04	113.00	112.80	2,822	8,495
Dec	112.74	112.58	-0.04	112.74	112.54	723	763

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
111	-	-	2.70	-	0.12	0.88
112	-	1.55	2.05	-	0.25	1.19
113	0.26	0.80	1.47	-	0.54	1.59
114	-	0.36	0.97	-	1.07	-
115	-	0.11	0.65	-	-	-

Est. vol. total, Calls 17,341 Puts 21,234. Previous day's open int., Calls 109,311 Puts 219,046.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.94	92.85	-0.07	93.18	92.82	112022	178357
Sep	92.50	92.22	-0.12	92.50	92.23	1124	5173

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9250	0.69	0.58	0.73	0.89	0.34	0.86	1.01	1.17
9300	0.41	0.39	0.52	0.68	0.56	1.17	1.30	1.46
9350	0.23	0.25	0.37	0.51	0.88	1.53	1.65	1.79

Est. vol. total, Calls 10706 Puts 8375. Previous day's open int., Calls 168800 Puts 132501

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.40	94.49	+0.41	94.75	94.22	34252	42629
Sep	93.84	93.84	+0.41	93.84	93.84	10	141

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9400	1.14	2.02	0.65	2.18
9450	0.85	1.79	0.86	2.45
9500	0.61	1.58	1.12	2.74

Est. vol. total, Calls 3175 Puts 1427. Previous day's open int., Calls 45866 Puts 37290

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.89	82.56	-0.12	83.00	82.51	38,127	49,830
Sep	82.45	82.20	+0.35	82.45	82.45	112	111

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-09	103-25	-0-09	104-10	103-23	40974	85852
Sep	103-25	103-13	-0-09	103-26	103-25	161	804

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
103	1-14	1-22	1-37	1-58	0-28	0-60	1-11	1-32
104	0-41	0-55	1-08	1-25	0-55	1-29	1-44	1-63
105	0-18	0-33	0-46	0-62	1-32	2-07	2-20	2-36

Est. vol. total, Calls 4518 Puts 3057. Previous day's open int., Calls 23078 Puts 35935

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	84.00	83.76	-0.12	84.00	83.72	2,796	8,638

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	105-18	105-10	-0-07	105-19	105-07	239,268	351,718
Sep	105-02	104-27	-0.07	105-03	104-24	1,134	21,199
Dec	-	104-20	-	-	-	206	2,007

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	116.63			116.69	116.48	3313	0
Sep	115.78			115.78	115.60	1046	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Apr 27	Day's change %	Wed Apr 26	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	119.20	+0.01	119.18	1.17	4.27
2 5-15 years (22)	141.60	-0.13	141.79	2.10	4.13
3 Over 15 years (9)	158.51	-0.23	158.88	2.00	4.74
4 Irredeemables (6)	178.94	-0.30	179.47	-0.16	6.12
5 All stocks (60)	137.98	-0.10	138.12	1.75	4.34

	Low coupon yield Apr 27	Apr 26	Yr. ago	Medium coupon yield Apr 27	Apr 26	Yr. ago	High coupon yield Apr 27	Apr 26	Yr. ago
5 yrs	8.27	8.26	7.60	8.33	8.33	7.79	8.48	8.47	7.89
15 yrs	8.32	8.29	7.86	8.39	8.37	7.99	8.61	8.58	8.27
20 yrs	8.30	8.28	7.86	8.39	8.37	7.99	8.55	8.51	8.15
Irred.†	8.35	8.32	7.94						

Index-linked	Thu Apr 27	Day's change %	Wed Apr 26	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	192.12	+0.02	192.09	0.35	2.57
7 Over 5 years (11)	178.65	+0.01	178.63	0.75	1.73
8 All stocks (13)	179.14	+0.01	179.11	0.71	1.81

	Inflation 5% Apr 27	Apr 26	Yr. ago	Inflation 10% Apr 27	Apr 26	Yr. ago
Up to 5 yrs	3.33	3.33	3.44	1.84	1.83	2.47
Over 5 yrs	3.78	3.78	3.48	3.59	3.58	3.29

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 27	Apr 26	Apr 25	Apr 24	Apr 21	Yr ago	High*	Low*
Govt. Secs. (UK)	91.98	92.16	92.02	92.07	92.41	96.00	92.41	90.22
Fixed Interest	111.27	111.17	111.24	111.25	111.12	115.41	111.33	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Apr 26	Apr 25	Apr 24	Apr 21	Apr 20
Gilt Edged bargains	89.4	80.5	74.6	80.0	80.2
5-day average	80.9	80.8	79.9	79.5	78.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 27

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5½ 03	1000	93⅞	93¾	-⅛	7.63
African Dev Bk 7⅜ 23	500	91⅞	92⅜		8.12
Alberta Province 7⅝ 98	1000	101⅝	101⅞		7.07
Austria 8½ 00	400	105⅜	105⅝		7.11
United Kingdom 7¼ 97	5500	103¼	103⅜		5.67
Volkswagen Intl Fin 7 03	1000	97⅝	98⅛	+⅛	7.40
World Bank 0 15	2000	22⅞	22⅞		7.52
World Bank 5⅞ 03	3000	91⅞	91⅞	+⅛	7.17
World Bank 8¾ 00	1250	111	111⅝	-⅛	6.12
Abbey Natl Treasury 8 03 £	1000	94	94⅛		9.69
Alliance Leics 11⅜ 97 £	100	105¼	105⅝		8.48
British Land 8⅞ 23 £	150	89½	90	-¼	10.24
Denmark 6¾ 98 £	800	95⅛	95¼		8.47
EIB 8 03 £	1000	95⅜	95½	-⅛	8.81
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
Shorts* (Lives up to Five Years)							
Exch 10¼pc 1995		10.16	6.87	100⅞	—	101⅞	100⅞
Treas 12¾pc 1995‡‡		12.36	6.81	103⅛xd	—	104⅞	103⅛
14pc 1996		13.33	6.97	105	—	106⅞	105
15¼pc 1996‡‡		14.15	7.23	107¾xd	-⅛	109⅝	107⅞
Exch 13¼pc 1996‡‡		12.50	7.25	106⅛xd	—	107¼	106⅛
Conversion 10pc 1996		9.66	7.57	103½xd	—	103⅞	103⅛
Treas 13¼pc 1997‡‡		12.18	7.76	108⅞	—	109⅞	108⅛
Exch 10½pc 1997		10.04	7.74	104⅝	+⅛	105⅞	104⅛
Treas Cnv 7pc 1997‡‡		7.11	7.80	98⅞	-⅛	98⅞	97¼
Treas 8¾pc 1997‡‡		8.60	7.91	101⅞	+⅛	102	100½
Exch 15pc 1997		12.98	8.04	115⅞xd	-⅛	116⅛	114⅞
9¾pc 1998		9.39	8.10	104	—	105⅞	102¾
Treas 7¼pc 1998‡‡		7.41	8.12	97⅞	-⅛	98⅛	96⅞
Conversion 9½pc 2004		8.92	8.49	106½	-⅛	107⅛	103⅛
Treas 6¾pc 2004‡‡		7.56	8.40	89⅛xd	-⅛	90⅛	86⅛
Conv 9½pc 2005		8.89	8.48	106⅞	-⅛	107⅞	103⅞
Treas 8½pc 2005‡‡		8.44	8.39	100¾	-¼	101⅛	97⅞
Treas 12½pc 2003-5		10.19	8.69	122⅞xd	-⅛	123⅞	119⅞
7¾pc 2006‡‡		8.13	8.38	95⅛	-⅛	96⅛	92⅛
8pc 2002-6‡‡		8.25	8.43	97	-¼	97⅞	93¾
Treas 11¾pc 2003-7		10.05	8.70	116⅞	-⅛	117⅞	113⅞
Treas 8½pc 2007‡‡		8.43	8.39	100⅞	-⅛	101⅛	97⅞
13½pc 2004-8		10.42	8.67	129⅞	-¼	130¼	126⅛
Treas 9pc 2008‡‡		8.58	8.38	104⅞	-⅛	105⅞	101⅞
Treas 8pc 2009		8.24	8.38	97⅛	-⅛	97⅞	94
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	1995 High	1995 Low
2pc '96	(67.9)	1.32	3.21	207⅞	+⅛	208⅛	201⅛
4⅝pc '98‡‡	(135.6)	2.51	3.47	109⅛xd	—	109¼	109⅛
2½pc '01	(78.3)	3.29	3.75	170⅛	+⅛	170⅛	165⅞
2½pc '03	(78.8)	3.39	3.76	160⅞xd	+⅛	160⅞	161⅞
4⅜pc '04‡‡	(135.6)	3.41	3.75	110⅞	—	110⅞	109⅛
2pc '06	(69.5)	3.49	3.76	173⅞	—	173⅞	168⅛
2½pc '09	(78.8)	3.54	3.77	157⅛xd	—	157¼	152⅛
2½pc '11	(74.6)	3.57	3.78	162⅞	—	162⅞	157⅛
2½pc '13	(89.2)	3.59	3.77	133⅞	—	133⅞	129⅛
2½pc '16	(81.6)	3.62	3.79	142⅞	—	142⅞	137⅝
2½pc '20	(83.0)	3.65	3.79	137	—	137	131⅞
2½pc '24‡‡	(97.7)	3.64	3.78	113⅞	—	113⅞	109¼
4⅛pc '30‡‡	(135.1)	3.66	3.80	112⅞	—	112⅞	108⅛
[illegible]							

Other Fixed Interest

[illegible]

هكذا من الاجل

CURRENCIES AND MONEY

MARKETS REPORT

Dollar still treading water after G7 meeting

The dollar yesterday continued its sideway progress in the aftermath of the G7 meeting in Washington earlier this week, *writes Philip Gawith.*

Traders remained perplexed at the manner in which the US currency has managed to hold its ground when everyone expected it to fall.

The dollar closed in London at DM1.3734 from DM1.3811, and at Y83.605 from Y84.125.

Trading activity was very quiet, with the market still trying to assess what the next move in the dollar will be.

In Europe attention focused on the French franc. Continued uncertainty about the election saw the franc slip to FFr3.538 against the D-Mark, from FFr3.522.

The Danish krona finished mildly weaker after the central bank cut two week interest rates to 6.5 per cent from 6.75 per cent. The Escudo finished at Es105.9 against the D-Mark, from Es105.7, after reports that the central bank had bought escudos around Es105.95

Sterling had a stable day, finishing at DM2.2218, from DM2.2246, and at $1.6178 from $1.6108.

■ The search for the bottom in the dollar continues unabated. With market rates apparently far removed from fundamentals, analysts have decided that contrarian indicators may be more useful than logic.

The latest suspect is Mr Jean-Claude Paye of the OECD, who said the dollar's long-run trend is down. Mr Robin Aspinall, strategist at brokers Panmure Gordon, commented: "If the time has come when the head of the OECD can make such a statement, the trend is so well-accepted as to ensure that a temporary (but significant) reversal is imminent."

Adding his view to those who believe the dollar has taken leave of the fundamentals was Mr George Soros, the influential US investor. He told an audience in Vienna that "there is no such thing as fair value. It doesn't exist."

For the time being, the dollar seems to be stuck in a range. Indeed, it has traded in the DM1.3470-DM1.4220 range for nearly seven weeks. Mr Stephen Lewis of the London Bond Broking Company said the dollar's steady performance, post G7, "suggests that the market is prepared to wait to see how policies develop from here before making another major move."

Alas, for dollar bulls, it is not necessary to look beyond US-Japan trade talks to see where the next salvo may come from. The following round of talks takes place next week. Recent meetings have been notable for the tough stance taken by both sides, and it is quite possible that these talks may end with the US imposing sanctions on Japan, who will retaliate with threats of a widespread liquidation of US Treasuries.

Mr Lewis said: "There are no signs that trade frictions between the US and Japan will end any time soon. This will be a factor in the markets long after this week's G7 meeting has been forgotten. The Clinton policy on trade unsettles currencies not only in the crude sense of generating fears that a weak dollar will be used as a trade weapon.

It also implies a view of the world in which the USA no longer exercises a leadership role, underpinning the dollar's position as a reserve currency, but is merely the centre of one of several competing trade blocs."

Mr Avinash Persaud, currency strategist at JP Morgan in London, said the market was clearly "less convinced on the downside" than it had been before. Its failure to sustain any upward rally, however, made him suspect that the downside would re-assert itself.

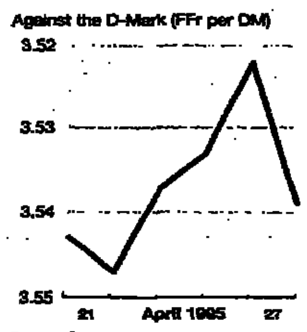
■ Mr Persaud said the weakness of the franc reflected the market view that "the *franc fort* policy may have been toppled from the top of the agenda." He said uncertainty about policy priorities meant that further weakness in the franc was possible.

The waters were further muddied yesterday by speculation that Mr Jacque Delors, former president of the European Commission, might be willing to serve as prime minister under Mr Lionel Jospin. His involvement would improve the chances of a socialist victory, and allay fears of a retreat from *franc fort.*

■ Liquidity conditions in UK money markets eased slightly with three month LIBOR retreating to 6 15/16 per cent from 7 per cent. The Bank of England provided £360m late assistance. Earlier it had provided £240m at established rates after forecasting a £750m shortage.

French franc

Against the D-Mark (FFr per DM)



Source: Datastream

■ **Pound in New York**

Apr 27	Latest	Prev. close
£ spot	1.6170	1.6155
1 mth	1.6163	1.6148
3 mth	1.6142	1.6128
1 yr	1.6005	1.5989

■ **OTHER CURRENCIES**

Apr 27	£	$
Hungary	191.258 - 191.514	118.250 - 118.350
Iran	2823.76 - 2830.45	1745.00 - 1750.00
Kuwait	0.4723 - 0.4733	0.2920 - 0.2925
Poland	3.8138 - 3.8159	2.3580 - 2.3581
Russia	8285.18 - 8285.94	5120.00 - 5123.00
U.A.E.	5.9404 - 5.9440	3.6728 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Apr 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6336	-0.0192	246 - 425	15.6750	15.5631	15.6105	1.8	15.5633	1.8	-	-	108.3
Belgium	(BFr)	45.6899	-0.0851	705 - 093	45.7970	45.4450	45.6299	1.6	45.5249	1.4	44.9849	1.5	110.9
Denmark	(DKr)	8.7458	+0.0072	395 - 520	8.7536	8.6875	8.7533	-1.0	8.7568	-0.5	8.7252	0.2	110.5
Finland	(FM)	6.8555	-0.0073	497 - 612	6.8990	6.8250	-	-	-	-	-	-	87.9
France	(FFr)	7.8621	+0.0255	589 - 653	7.8732	7.8087	7.8758	-2.1	7.8948	-1.7	7.8648	0.0	109.5
Germany	(DM)	2.2218	-0.0028	207 - 229	2.2257	2.2091	2.219	2.0	2.2086	2.2	2.1663	2.5	114.0
Greece	(Dr)	362.403	-0.148	233 - 574	363.030	359.095	-	-	-	-	-	-	69.0
Ireland	(I£)	0.9880	+0.0031	871 - 889	0.9838	0.9819	0.9876	0.5	0.9874	0.2	0.9877	0.0	96.9
Italy	(L)	2747.03	-10.86	392 - 013	2753.22	2730.16	2757.43	-4.5	2777.48	-4.4	2858.38	-4.1	64.3
Luxembourg	(LFr)	45.6899	-0.0851	705 - 093	45.7970	45.4450	45.6499	1.1	45.5499	1.2	45.0149	1.5	110.9
Netherlands	(Fl)	2.4871	-0.004	856 - 885	2.4914	2.4757	2.4827	2.1	2.4737	2.1	2.4279	2.4	110.7
Norway	(NKr)	10.0075	-0.0085	023 - 126	10.0515	9.9600	9.9988	1.0	9.9752	1.3	9.8479	1.6	99.2
Portugal	(Es)	235.261	+0.14	089 - 432	238.321	234.001	234.396	4.4	237.566	-3.9	-	-	96.6
Spain	(Pta)	198.601	-0.397	471 - 731	199.114	197.918	199.041	-2.7	199.901	-2.6	204.071	-2.8	79.8
Sweden	(SKr)	11.7525	-0.0658	415 - 635	11.8399	11.6889	11.7549	-0.2	11.7592	-0.2	11.7784	-0.2	77.1
Switzerland	(SFr)	1.8322	-0.0052	309 - 334	1.8358	1.8259	1.8281	2.7	1.8186	3.0	1.7683	3.5	115.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2114	-0.001	102 - 126	1.2135	1.2057	1.2112	0.2	1.2115	0.0	1.2045	0.6	-
SDR†	-	1.020100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6179	+0.007	174 - 184	1.6185	1.6117	-	-	-	-	-	-	-
Brazil	(R$)	1.4827	+0.0064	815 - 839	1.4874	1.4815	-	-	-	-	-	-	-
Canada	(C$)	2.2070	+0.012	060 - 079	2.2079	2.1992	2.2104	-1.9	2.2148	-1.4	2.2155	-0.4	82.7
Mexico	(New Peso)	9.3833	-0.0641	486 - 179	9.4179	9.3509	-	-	-	-	-	-	-
USA	($)	1.6178	+0.007	174 - 182	1.6185	1.6115	1.6172	0.4	1.6151	0.7	1.6016	1.0	87.6
Pacific/Middle East/Africa													
Australia	(A$)	2.2264	+0.0142	251 - 277	2.2277	2.2245	2.229	-1.4	2.2335	-1.3	2.2506	-1.1	77.9
Hong Kong	(HK$)	12.5197	+0.063	158 - 236	12.5238	12.4709	12.5157	0.4	12.5063	0.4	12.4394	0.6	-
India	(Rs)	50.7666	+0.2277	459 - 872	50.7970	50.5770	-	-	-	-	-	-	-
Israel	(Shk)	4.7831	+0.0096	778 - 883	4.7883	4.7673	-	-	-	-	-	-	-
Japan	(Y)	135.258	-0.253	182 - 330	135.590	134.510	134.731	4.7	133.591	4.9	127.796	5.5	170.9
Malaysia	(M$)	3.9827	+0.018	909 - 945	3.9845	3.9785	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4001	-0.0113	986 - 016	2.4023	2.3986	2.4055	-2.7	2.4145	-2.4	2.4287	-1.2	98.3
Philipines	(Peso)	42.0629	+0.182	907 - 350	42.2350	41.8907	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0677	+0.0263	659 - 695	6.0700	6.0444	-	-	-	-	-	-	-
Singapore	(S$)	2.2533	+0.0049	519 - 546	2.2557	2.2461	-	-	-	-	-	-	-
South Africa	(R)	5.8484	+0.0169	445 - 522	5.8522	5.8298	-	-	-	-	-	-	-
South Korea	(Won)	1230.58	+4.36	019 - 098	1231.03	1225.87	-	-	-	-	-	-	-
Taiwan	(T$)	41.1079	+0.1895	917 - 241	41.1241	40.9539	-	-	-	-	-	-	-
Thailand	(Bt)	39.7494	+0.1881	233 - 754	39.7754	39.6160	-	-	-	-	-	-	-

† Rates for Apr 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	9.6835	-0.0539	603 - 666	9.7015	9.6235	9.6515	1.5	9.6315	1.3	9.537	1.3	108.2
Belgium	(BFr)	28.2420	-0.1755	370 - 470	28.3700	28.1400	28.2165	1.1	28.167	0.8	28.082	0.6	110.6
Denmark	(DKr)	5.4060	-0.019	035 - 085	5.4155	5.3765	5.4105	-1.0	5.4155	-0.7	5.4335	-0.5	110.0
Finland	(FM)	4.2375	-0.023	350 - 400	4.2674	4.2217	4.2378	-0.1	4.2382	-0.1	4.241	-0.1	86.5
France	(FFr)	4.8598	-0.0052	590 - 605	4.8695	4.8325	4.8683	-2.1	4.8798	-1.6	4.8873	-0.6	109.3
Germany	(DM)	1.3734	-0.0077	730 - 737	1.3793	1.3688	1.3716	1.6	1.368	1.6	1.3524	1.5	113.4
Greece	(Dr)	224.010	-1.065	960 - 060	225.030	222.350	225.94	-10.3	229.795	-10.3	245.765	-9.7	68.3
Ireland	(I£)	1.6376	+0.002	365 - 386	1.6450	1.6315	1.6383	-0.5	1.64	-0.6	1.6521	-0.9	-
Italy	(L)	1698.00	-14.13	650 - 950	1705.00	1690.50	1704.95	-4.9	1717.5	-4.6	1781.5	-4.9	63.1
Luxembourg	(LFr)	28.2420	-0.1755	370 - 470	28.3700	28.1400	28.2165	1.1	28.187	0.8	28.082	0.6	110.6
Netherlands	(Fl)	1.5373	-0.0092	368 - 378	1.5443	1.5319	1.5353	1.6	1.5314	1.5	1.5153	1.4	110.3
Norway	(NKr)	6.1859	-0.0321	842 - 875	6.2177	6.1582	6.1829	0.6	6.1746	0.7	6.1494	0.6	98.5
Portugal	(Es)	145.420	-0.545	350 - 490	147.430	144.880	145.92	-4.1	147.065	-4.5	152.36	-4.8	96.9
Spain	(Pta)	122.760	-0.78	710 - 810	123.100	122.430	123.08	-3.1	123.76	-3.3	127.405	-3.8	79.2
Sweden	(SKr)	7.2645	-0.0724	595 - 695	7.3380	7.1669	7.2817	-2.8	7.3165	-2.9	7.5045	-3.3	74.5
Switzerland	(SFr)	1.1325	-0.0082	320 - 330	1.1390	1.1290	1.1299	2.8	1.1251	2.6	1.103	2.6	114.1
UK	(£)	1.6178	+0.007	174 - 182	1.6185	1.6115	1.6172	0.4	1.6151	0.7	1.6016	1.0	83.6
Ecu	-	1.3355	+0.0069	345 - 365	1.3399	1.3303	1.3352	0.2	1.3349	0.2	1.3334	0.2	-
SDR†	-	0.63460	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	0.9165	-	160 - 170	0.9210	0.9160	-	-	-	-	-	-	-
Canada	(C$)	1.3842	+0.0015	839 - 844	1.3852	1.3815	1.3866	-2.1	1.3701	-1.7	1.3813	-1.2	81.1
Mexico	(New Peso)	5.8000	-0.065	800 - 200	5.8200	5.7800	5.8022	-0.5	5.8054	-0.4	5.8103	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3761	+0.0029	757 - 767	1.3804	1.3757	1.3777	-1.4	1.3816	-1.6	1.4028	-1.9	79.6
Hong Kong	(HK$)	7.7387	+0.0065	382 - 392	7.7415	7.7338	7.7369	0.3	7.7364	0.1	7.7522	-0.2	-
India	(Rs)	31.3800	+0.005	750 - 850	31.4000	31.3750	31.46	-3.1	31.705	-4.1	-	-	-
Israel	(Shk)	2.9565	-0.0069	540 - 590	2.9620	2.9527	-	-	-	-	-	-	-
Japan	(Y)	83.6050	-0.52	800 - 300	83.9200	83.1200	83.255	5.0	82.625	4.7	79.59	4.8	172.6
Malaysia	(M$)	2.4680	+0.0006	675 - 685	2.4700	2.4643	2.466	1.0	2.4636	0.7	2.458	0.4	-
New Zealand	(NZ$)	1.4835	-0.0135	830 - 841	1.4886	1.4830	1.4869	-2.8	1.4937	-2.8	1.513	-2.0	-
Philipines	(Peso)	26.0000	-	000 - 000	26.1000	25.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 508	3.7508	3.7504	3.7515	-0.3	3.7536	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.3928	-0.003	923 - 933	1.3955	1.3923	1.3876	4.5	1.3793	3.9	1.3528	2.9	-
South Africa	(R)	3.6150	-0.0053	135 - 165	3.6165	3.6135	3.633	-6.0	3.6703	-6.1	3.8543	-6.9	-
South Korea	(Won)	760.650	-0.6	600 - 700	761.200	760.200	763.65	-4.7	767.15	-3.4	785.65	-3.3	-
Taiwan	(T$)	25.4098	+0.0073	060 - 135	25.4125	25.3930	25.4298	-0.9	25.4698	-0.9	-	-	-
Thailand	(Bt)	24.5700	+0.01	600 - 800	24.5850	24.5500	24.591	-1.0	24.6175	-0.8	24.705	-0.5	-

† SDR rate per $ for Apr 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 26 Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¾	5 1/16	5 3/16	5 5/16	5⅞	7.40	4.00	-
week ago	4 13/16	5 1/16	5 3/16	5 11/16	6	7.40	4.00	-
France	7 13/16	8	7⅞	7½	7	5.00	-	8.00
week ago	7⅞	8	7 13/16	7⅝	7¼	5.00	-	8.00
Germany	4 13/16	4½	4½	4 7/16	4 13/16	6.00	4.00	4.51
week ago	4 9/16	4½	4½	4⅝	4⅞	6.00	4.00	4.51
Ireland	5 13/16	6½	6 13/16	7	7 5/16	-	-	6.25
week ago	6 1/16	6½	6⅞	7	7½	-	-	6.25
Italy	10⅝	10½	10 13/16	11 1/16	11 3/16	-	7.50	10.56
week ago	10 3/16	10½	10⅞	11⅛	11⅝	-	7.50	10.47
Netherlands	4 7/16	4 5/16	4 7/16	4 11/16	4⅝	-	5.25	-
week ago	4½	4 5/16	4 5/16	4⅝	4 13/16	-	5.25	-
Switzerland	3¼	3⅜	3⅜	3 7/16	3⅝	6.625	3.00	-
week ago	3⅜	3¼	3 5/16	3½	3⅝	6.625	3.00	-
US	5 13/16	6	6⅛	6¼	6 5/16	-	5.25	-
week ago	6	6	6 3/16	6 5/16	6½	-	5.25	-
Japan	2 1/16	1⅜	1⅜	1 7/16	1½	-	1.00	-
week ago	2 1/16	1⅜	1⅜	1⅜	1⅜	-	1.00	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	6 1/16	6 3/16	6 5/16	6⅝	-	-	-
week ago	-	6 1/16	6¼	6⅜	6⅝	-	-	-
US Dollar CDs	-	5.86	5.97	6.10	6.35	-	-	-
week ago	-	5.86	5.98	6.14	6.40	-	-	-
SDR Linked Ds	-	4 1/16	4 5/16	4½	4¾	-	-	-
week ago	-	4 7/16	5	5 1/16	5 1/16	-	-	-

ECU Linked Ds mid rates: 1 mth: 6¼; 3 mths: 6 1/16; 6 mths: 6 5/16; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5½ - 5⅜	5⅜ - 5¼	5⅝ - 5½	5 13/16 - 5 11/16
Danish Krone	6¾ - 6⅝	6⅝ - 6½	6¾ - 6⅝	6⅞ - 6¾	7 - 6¾	7 - 6¾
D-Mark	5½ - 5¼	4 9/16 - 4 7/16	4 9/16 - 4 7/16	4⅝ - 4½	4⅝ - 4½	4⅞ - 4¾
Dutch Guilder	4½ - 4⅜	4½ - 4⅜	4½ - 4 7/16	4 9/16 - 4½	4 11/16 - 4⅝	4 15/16 - 4 13/16
French Franc	7¾ - 7½	8 - 7¾	8⅛ - 7⅞	8 - 7¾	7 13/16 - 7 9/16	7 9/16 - 7 5/16
Portuguese Esc.	9¼ - 9	9¼ - 9	10 1/16 - 9 13/16	10⅝ - 10⅜	11 - 10¾	11½ - 11¼
Spanish Peseta	8 9/16 - 8 7/16	8⅝ - 8 7/16	8⅞ - 8¾	9 5/16 - 9 3/16	9¾ - 9⅝	10⅜ - 10¼
Sterling	5¾ - 5½	5⅞ - 5¾	6 9/16 - 6½	6 15/16 - 6⅞	7 5/16 - 7⅛	7 13/16 - 7 9/16
Swiss Franc	4½ - 4¼	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3 9/16 - 3 7/16	3¾ - 3⅝
Can. Dollar	8 1/16 - 7⅞	8 - 7 13/16	7 15/16 - 7 13/16	7 15/16 - 7 13/16	7⅞ - 7¾	7 15/16 - 7 13/16
US Dollar	6 - 5⅞	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 3/16 - 6 1/16	6 5/16 - 6 3/16	6½ - 6⅜
Italian Lira	10¼ - 8¾	10 7/16 - 10 5/16	10 9/16 - 10 7/16	10¾ - 10⅝	11⅛ - 11	11 9/16 - 11 7/16
Yen	1 7/16 - 1⅜	1 7/16 - 1⅜	1 7/16 - 1⅜	1 7/16 - 1⅜	1½ - 1 7/16	1 19/32 - 1 15/32
Asian $Sing	½ - ¼	¾ - ⅝	1½ - 1⅜	2 - 1⅞	2⅜ - 2¼	3 - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.77	92.71	-0.02	92.82	92.70	20,647	38,148
Sep	93.51	93.47	-	93.52	93.45	3,651	35,507
Dec	93.53	93.52	-0.01	93.57	93.50	3,978	23,692
Mar	93.42	93.41	-	93.46	93.40	1,348	13,835

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.70	-0.02			0	585
Sep	93.60	93.56	-0.04	93.60	93.60	5	349
Dec		93.35	-0.05			0	255
Mar		93.33	-0.07			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.43	95.40	-0.01	95.44	95.40	16390	147013
Sep	95.31	95.26	-0.03	95.32	95.25	26476	158068
Dec	95.03	94.98	-0.03	95.05	94.96	22712	118820
Mar	94.78	94.73	-0.02	94.79	94.71	13586	71302

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.95	88.92	-	89.05	88.90	10859	33232
Sep	88.84	88.78	-	88.87	88.77	3530	23229
Dec	88.72	88.69	-	88.76	88.69	1450	14288
Mar	88.65	88.63	0.02	88.67	88.61	677	8604

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.48	96.50	0.03	96.52	96.48	2481	23370
Sep	96.41	96.39	0.02	96.42	96.38	970	10395
Dec	96.23	96.19	-	96.23	96.22	259	6785
Mar	96.03	96.00	-	96.04	96.01	80	1564

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.62	93.58	-0.02	93.64	93.58	1342	8572
Sep	93.53	93.48	-0.03	93.54	93.47	386	4987
Dec	93.34	93.28	-0.01	93.36	93.29	127	2595
Mar	93.12	93.08	-	93.12	93.11	73	1363

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.14	17.21	4.863	2.162	6012	5.443	21.91	515.0	434.7	25.72	4.010	2.189	4.830	3.541	296.1	2.650
Denmark	(DKr)	52.24	10	8.989	2.541	1.130	3141	2.844	11.45	269.0	227.1	13.43	2.095	1.143	2.523	1.850	154.7	1.385
France	(FFr)	58.11	11.12	10	2.826	1.257	3494	3.163	12.73	299.3	252.6	14.95	2.330	1.272	2.807	2.058	172.1	1.540
Germany	(DM)	20.56	3.936	3.538	1	0.445	1236	1.119	4.505	105.9	89.38	5.289	0.824	0.450	0.993	0.728	60.89	0.545
Ireland	(I£)	46.24	8.852	7.957	2.249	1	2780	2.517	10.13	238.2	201.0	11.89	1.854	1.012	2.234	1.638	136.9	1.226
Italy	(L)	1.663	0.318	0.286	0.081	0.036	100.	0.091	0.364	8.566	7.230	0.428	0.067	0.036	0.080	0.059	4.925	0.044
Netherlands	(Fl)	18.37	3.517	3.161	0.893	0.397	1105	1	4.025	94.61	79.86	4.725	0.737	0.402	0.887	0.651	54.40	0.487
Norway	(NKr)	45.64	8.737	7.854	2.220	0.987	2744	2.485	10	235.1	198.4	11.74	1.830	0.999	2.205	1.616	135.2	1.210
Portugal	(Es)	19.42	3.717	3.341	0.944	0.420	1167	1.057	4.254	100.	84.40	4.994	0.779	0.425	0.938	0.688	57.50	0.515
Spain	(Pta)	23.01	4.404	3.959	1.119	0.497	1383	1.252	5.040	118.5	100.	5.916	0.922	0.504	1.111	0.815	68.13	0.610
Sweden	(SKr)	38.89	7.443	6.691	1.891	0.841	2338	2.117	8.519	200.3	169.0	10	1.559	0.851	1.878	1.377	115.1	1.031
Switzerland	(SFr)	24.94	4.774	4.291	1.213	0.539	1499	1.358	5.464	128.4	108.4	6.414	1	0.546	1.205	0.883	73.86	0.661
UK	(£)	45.69	8.746	7.862	2.222	0.988	2747	2.487	10.01	235.3	198.6	11.75	1.832	1	2.207	1.618	135.3	1.211
Canada	(C$)	20.70	3.963	3.562	1.007	0.448	1245	1.127	4.536	106.6	89.99	5.324	0.830	0.453	1	0.733	61.30	0.549
US	($)	28.24	5.405	4.859	1.373	0.611	1698	1.537	6.187	145.4	122.7	7.262	1.132	0.618	1.364	1	83.62	0.748
Japan	(Y)	33.77	6.464	5.811	1.642	0.730	2030	1.838	7.398	173.9	146.8	8.684	1.354	0.739	1.631	1.196	100.	0.895
Ecu		37.73	7.222	6.492	1.835	0.816	2268	2.054	8.266	194.3	164.0	9.703	1.513	0.826	1.822	1.336	111.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7320	0.7290	-0.0016	0.7330	0.7265	40,541	62,692
Sep	0.7305	0.7325	-0.0020	0.7325	0.7298	462	3,562
Dec	-	0.7340	-	-	0.7340	16	647

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.2050	1.2058	+0.0021	1.2097	1.1998	27,447	59,410
Sep	1.2230	1.2205	+0.0010	1.2230	1.2166	594	3,190
Dec	-	1.2340	-	1.2340	1.2330	57	808

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8860	0.8845	-0.0004	0.8885	0.8810	19,811	27,736
Sep	0.8905	0.8910	-0.0003	0.8910	0.8878	147	2,246
Dec	-	0.8970	-	0.8975	0.8940	3	524

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6118	1.6146	+0.0028	1.6168	1.6096	5,910	22,904
Sep	1.6090	1.6130	+0.0004	1.6130	1.6080	165	326
Dec	-	1.6100	-	1.6100	1.6040	1	62

THE HEDGE FUND

SICAV

Luxembourg, 11, rue Aldringen

R.C. Luxembourg N° B 38653

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders will be held at the registered office of the Company on 12 May 1995 at 11.00 a.m. with the following agenda:

Agenda

1. Decision to put the company into liquidation.
2. Appointment of Fin-Contrôle S.A., 11, rue Aldringen, L-1118 Luxembourg as liquidator.
3. Attribution to the liquidator of the largest possible powers of administration.

The shareholders are advised that a quorum of 50% is required for the items of the agenda and that the decisions will be taken at the majority of 2/3 of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

THE HEDGE FUND ($) II

SICAV

Luxembourg, 11, rue Aldringen

R.C. Luxembourg N° B 40 693

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders will be held at the registered office of the Company on 12 May 1995 at 11.30 a.m. with the following agenda:

Agenda

1. Decision to put the company into liquidation.
2. Appointment of Fin-Contrôle S.A., 11, rue Aldringen, L-1118 Luxembourg as liquidator.
3. Attribution to the liquidator of the largest possible powers of administration.

The shareholders are advised that a quorum of 50% is required for the items of the agenda and that the decisions will be taken at the majority of 2/3 of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

SOCIETE GENERALE FRF 1,000,000,000 9,25 % BONDS DUE 1999 with coupon reinvestment option

Common Code : 3063054 Sicovam Code : 14480

According to the Terms and Conditions of the Bonds, notice is hereby given that 1052 supplementary Bonds have been created upon exchange against Coupons on account of payment of interest.

New total nominal amount outstanding as of : 30/04/95 : FRF 1 360 900 000

The Principal Paying Agent

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		50½	—	98	50¼	6.51	19.8	-
9¾pc Non-Cum Prf		4½	—	118½	3	1.90	-	-
Cater Allen		403	+3	403	418	157.5	7.3	10.0
Close Bros		281	—	282	219	246.5	3.8	11.8
Gerrard & Nat		433	+2	490	395	210.9	6.9	12.5
Hambros		205	—	263	195	382.9	9.1	12.6
7½pc Cv Pf		98	—	112	94	128.2	9.6	-
Joseph (L)		395	—	498	383	19.2	6.1	10.6
King & Shaxson		88	—	103	85	15.3	12.8	8.7
Kleinwort Benson		535xd	—	663	529	854.3	4.2	11.4
Rea Bros		53xd	—	67	53	22.0	2.4	19.5
Schroders		1620xd	-25	1693	1350	1,829	1.6	15.4
NV		1423xd	-30	1465	1235	412.7	1.8	13.5
Singer & Fried		82½xd	+1	88½	81	180.3	5.3	♦
Union		85xd	+1	93	70	22.6	4.4	♦
Warburg (SG)		749	—	784	655	1,855	3.7	13.7
Wintrust		203	—	295	200	17.3	6.5	13.6

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

SOUTH AFRICANS

	Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£29	2,124	2.4	ϕ
Barlow	♣	88⅓	—	88⅛	£4⅞	1,248	1.5	23.2
Gold Fids Prop R		144¼	—	152	118	14.7	7.1	ϕ
NK Props		80	—	95	85	3.82	12.7	–
SASOL	♥	580	–8	599	435	3,346	2.3	–
SA Brews	†	£16⅞	—	£17⅞	£12⅞	4,740	1.7	27.5
Tiger Oats		863	—	875	700	1,298	1.7	21.2
Tongaat-Hulett	†‡	768	+25	768	636	709.8	1.8	23.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
▪ Highs and lows marked thus have been adjusted to allow for capital changes
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
♦ Figures or report awaited
♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below.
✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Rule 4.2(a) Irish incorporated non-listed companies.
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
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UK Prof Advisers 0800 414181 Jersey: 01534 71696
Private Clients 0800 414161 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum			A$17.490		+0.003	6.70
A$ Dist			A$15.227		+0.002	6.70
ASch Accum			Sch239.84		+0.09	3.50
ASch Dist			Sch201.68		+0.07	3.50
BFr Accum			BFr541.45		-0.24	3.90
BFr Dist			BFr505.42		+0.23	3.90
C$ Accum			C$17.499		+0.003	7.00
C$ Dist			C$15.237		+0.003	7.00
DKr Accum			DKr108.64		+0.02	6.50
DKr Dist			DKr101.23		+0.01	6.50
DM Accum			DM36.875		-0.014	3.80
DM Dist			DM30.286		+0.011	3.60
DFl Accum			Dfl30.805		+0.002	3.50
DFl Dist			DFl25.227		+0.002	3.50
ECU Accum			Ecu12.725		+0.002	5.30
ECU Dist			Ecu10.121		+0.002	5.30
FM Accum			FM105.77		+0.04	3.90
FM Dist			FM100.88		-0.04	3.90
FFr Accum			FFr63.295		-0.040	6.00
FFr Dist			FFr50.840		+0.002	6.00
HK$ Accum			HK$112.77		+0.02	5.90
HK$ Dist			HK$101.32		+0.01	5.90
I£ Accum			I£11.506		-0.006	5.20
I£ Dist			I£10.107		-0.006	5.20
Lire Accum			L20777		+21	9.70
Lire Dist			L15297		+15	9.70
NZ$ Accum			NZ$35.677		-0.008	7.80
NZ$ Dist			NZ$30.532		-0.006	7.80
NKr Accum			NKr106.34		+0.04	3.80
NKr Dist			NKr100.93		+0.04	3.80
Pes Accum			Es2909.4		+2.8	9.20
Pes Dist			Es2562.1		+2.4	9.20
S$ Accum			S$25.544		+0.000	1.00
S$ Dist			S$25.062		+0.003	1.00
SPta Accum			Pta3449.2			8.00

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
GlobalSar Dollar Accum	5		$27.89	29.44	+0.22	–
GlobalSar Dollar Dist	5		$26.17	27.81	+0.20	2.79
GlobalSar-£	5		£16.72	17.74	-0.12	3.11
(Accum Units)	5		£19.29	20.47	+0.14	–

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 256, St Peter Port, Guernsey 01481 710651

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Bd $	3		$11.6270	12.0339	–	7.59
Approx Stg Equiv	3		£7.1912	7.4425	–	7.50

GUERNSEY (REGULATED)(**)

	Selling Price	Buying Price	+ or -	Yield Gross
ANZ Mngmt Co (Guernsey) Ltd				
Emerging Mkt Liquid Inv Ptfolio	$11.67	12.09	–	–
Apollo Investment Management Ltd				
Japan	£10.051	10.641	–	–
Tiger	£9.373	9.9770	–	–
Arab Bank Fund Managers (Guernsey) Ltd				
AB International Fund Ltd				
Managed Currency	$11.03	11.07	-0.01	–
International Bond	$11.09	11.13	+0.03	–
Bachmann Global Investment Fund Ltd				
Cash, Gilt & Stg Fxd Int	£17.90	17.96	–	–
US Dollar Int Bond & Ccy	$153.99	157.38	–	–
Sterling Intl Bond & Ccy	£100.69	102.03	–	–
Global Equity	£8.80	9.22	–	–
Intl Equity Index	$103.31	107.88	–	–
Bellinvest Management (Guernsey) Ltd				
Bellinvest – Israel Fd	$573.78		–	–
Bellinvest – Brazil Fd	$1094.27		–	–
Bellinvest – Multi Bond Fd	$941.32		–	–
Bellinvest – Global Fd of Fds	$775.36		–	–
Bellinvest – Superior Class	$900.03		–	–
CIBC Fund Managers (Guernsey) Ltd				
PCF Sterling Bond ♦	£10.85	11.04	–	–
PCF US Dollar Bond ♦	$15.45	15.72	–	–
PCF Canadian Dollar Bond ♦	C$21.68	22.05	–	–
PCF Euro Bond ♦	SFr18.34	18.71	–	–
PCF Euro Equity ♦	SFr18.80	19.22	–	–
PCF Balanced ♦	$15.71	16.06	–	–
PCF Far East ♦	$13.90	14.73	–	–

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

صكرا من الأصل

هكذا من الأصل

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LONDON STOCK EXCHANGE

MARKET REPORT

Shares give ground in nervous trading session

By Terry Byland,
UK Stock Market Editor

The belief that UK base rates are likely to rise very soon depressed a UK stock market yesterday lacking any lead from currencies or from Wall Street. An initial advance, which largely reflected first-quarter figures from ICI, soon melted away and the close of the session saw share prices slipping in the wake of a weak bond market.

The final picture was uninspiring, with the FT-SE 100-share Index down 8.6 points at 3,217.6 and strategists noting that the index had dropped through a support level around 3,230; the first readings of the day put the Footsie above 3,241.

Nervousness also spread from the New York markets, where the Dow Jones Industrial Average shed nearly 4 points in UK hours and Treasury bonds eased ahead of the US gross domestic product numbers for the first quarter of 1995, due today.

The stock market appears convinced that UK base rates will be raised by ½ percentage point, probably in the wake of the meeting between the chancellor of the exchequer and the governor of the Bank of England a week today.

Mr Ian Harnett at Strauss Turnbull commented that if base rates are not raised soon after next week's meeting, then "the stock market will probably fall because it will think they should have been". A half-point rise in rates has probably been discounted by share prices.

In the meantime, next week's local elections are expected to deliver a further rebuff to the Conservative government headed by Mr John Major.

A number of trading programmes were put through the market. Dealers doubted whether a "buy" programme identified at the close would enable the market to stand up today to the bearish tone clearly setting in both in London and New York.

Excellent first-quarter figures from ICI helped both the market and the share price at first. But the market had second thoughts after the company met City analysts, and ICI shares finished the day on the downside.

An uncertain performance by the US dollar, as currency markets continued to assess the outcome of last weekend's meeting of the G7 ministers, left London's blue chip stocks to move within narrow limits.

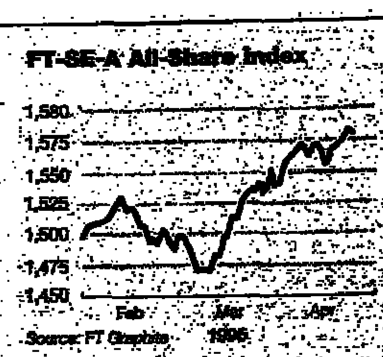
Non-Footsie stocks provided around 56 per cent of the day's total Seaq volume of 645m shares. On Wednesday, Seaq turnover of 673.3m shares was worth £1.57bn in retail worth to the London market.

The focus on the Footsie-listed stocks left the FT-SE Mid 250 Index to extend its gain by 8.6 to a new 1995 closing peak of 3,526.2. However, the FT-SE-A 350 Index slipped a couple of points to 1,598.4.

Market analysts are looking for a significant fall in the US first-quarter GDP figures today, confirming the slowdown in the economy and thus reinforcing hopes that US interest rates need not be raised again.

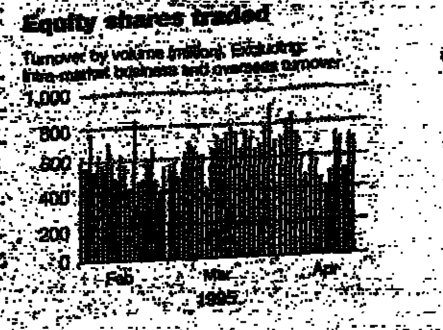
But bearish views on UK interest rates seem likely to prevail in the London market, at least for the near term, and the continuing uncertainty over the dollar casts a shadow over the outlook for the pound.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3217.6	-8.6
FT-SE Mid 250	3526.2	+8.6
FT-SE-A 350	1598.4	-2.4
FT-SE-A All-Share	1578.40	-1.99
FT-SE-A All-Share yield	4.06	(4.05)
FT Ordinary index	2442.0	-7.7
FT-SE-A Non Fins p/e	17.34	(17.37)
FT-SE100 Fut Jun	3221.0	-11.0
10 yr Gilt yield	8.39	(8.34)
Long gilt/equity yld ratio:	2.11	(2.10)

Best performing sectors

1 Household Goods .... +1.5
2 Other Services & Bus .... +0.9
3 Building & Construct .... +0.8
4 Insurance .... +0.7
5 Elect & Elect Equip .... +0.5

Worst performing sectors

1 Transport .... -1.3
2 Oil, Integrated .... -0.8
3 Gas Distribution .... -0.8
4 Mineral Extraction .... -0.6
5 Banks, Merchant .... -0.5

Yorkshire TV bid seen

Yorkshire Tyne Tees Television jumped 18 to 505p, making a two-day rise of 31p, as the market became convinced that a bid for the company is imminent.

Informed sources in the market believe that Granada, the leisure group which already has a 14.3 per cent stake in the company, has an offer ready and that it will be made as soon as the rules on media ownership are relaxed. A government ruling on cross-media ownership is expected by the middle of May. Granada made hints that it would be interested in bidding for Yorkshire as long ago as last summer.

Analysts busily calculating the viable level of an offer think that, as costs have already been cut to the bone through Yorkshire's merger with Tyne Tees Television, much depends on the profits that can be gained from advertising. Granada would be able to sell air time that covered the whole of the north of England.

However, at the current price, Yorkshire's shares are on an historic price/earnings ratio of 44.7, compared with a sector average of around 18 times earnings, and Granada might not be prepared to pay more. Consequently, analysts said it is more likely to go for an agreed merger and swap its stake in BSkyB with Pearson's shareholding in Yorkshire. Granada dipped 7 to 569p, while Pearson eased a penny to 572p after a recent strong run.

Reckitt busy

Household products group Reckitt & Colman rose sharply on higher than average turnover as speculation gathered pace that it will shortly sell its mustard division.

The company has been trying to sell the historic Colman's mustard business since last last year when Reckitt paid £1bn for L&F Household, a US cleaning products group.

Dealers cited stories that a management buyout was close to agreement or an external buyer had been found. Bass, the brewer, was being mentioned as the slightly surprising potential buyer.

Executives at Reckitt were tight-lipped yesterday. Their only comment was: "Discussions are continuing." Reckitt shares ended the day 12 higher at 634p, with 2.7m traded. Bass shares, benefiting from a broker recommendation, gained a penny at 551p.

ICI surprise

First-quarter figures from ICI surprised even the most optimistic City analysts. The shares shot forward and then the market decided it was time to turn seller.

When the headline figure of £221m before exceptionals came in, it was some £40m above the consensus forecasts and the shares jumped 26p.

But at the post-results meeting there were comments about a slowdown in chemical growth in some OECD countries. The shares ended 1½ down on balance at 756½p.

British Aerospace continued to gain ground as the market latched on to the theory that the higher the shares go the more likely is the group to succeed in any ensuing takeover tussle for submarine maker VSEL.

The shares added 4 at 538p to extend the notional value of its all-share bid for VSEL to 1793p per share, or almost £4 more than the cash deal put up by rival bidder GEC. VSEL appreciated 19 to 1694p.

Heavy selling late in the day pushed airports group BAA to the bottom slot in the Footsie performance charts. The shares tumbled 16¼ to 465¼p in 3.7m turnover, on what analysts mostly saw as technical pressure. Smith New Court was said to have been an aggressive seller.

A big two-way tug of sentiment sent British Steel racing to the top of the Footsie activity charts with 45m turnover, the shares' busiest day since October 1992.

Up 1¾ to 165½p, the shares have outpaced the market as a whole by almost 3 per cent over the past month, thanks to a string of favourable first-quarter results from the industry and the way D-Mark strength has underpinned steel prices in Europe.

Diversified industrial Cookson, which last year held merger discussions with Johnson Matthey, gained 3½ at 231½p ahead of a forthcoming analysts' trip to the US. The group gets more than 60 per cent of its earnings from North America and is whisking analysts away on a four-day visit to its East Coast plants early next month.

News that there is to be an enquiry into the supply of domestic electrical goods to retailers brought a retreat for both Dixons and Kingfisher. The former fell 8 to 239p on trade of 6.6m and the latter shed 4 to 448p.

Turnover in Christies International, the auctioneers, jumped to 10m, its fourth highest daily total on record, after several agency crosses,totalling 5m, were transacted at 165p. The biggest was a block of 3.3m. The shares raced forward and closed 18 ahead at 166p, their highest level since January this year. The identity of both the buyer and the seller of the stock, equivalent to a 3 per cent stake in the company, was undisclosed.

The composite insurance sector provided three of the FT-SE 100's 10 best performers, including the top individual stock GRE as the market became increasingly optimistic about the first-quarter results season which gets under way next month. GRE moved up 4¼ to 193p.

In life assurances, Legal & General dipped 6 to 469p ahead of today's expected OFT report into endowment mortgages.

S.G. Warburg, the merchant bank, staged a strong late rally. Down to 738p in the morning, the stock sprinted ahead just before the close, ending unchanged at 750p. The rally came as speculation revived that a potential bidder is still looking hard at the bank.

Ladbroke was among the strongest performers in the FT-SE 100, the shares gaining 4 at 178p, on reports that James Capel had advised investors to buy the stock.

Stakis hardened a penny to 85p, on volume of 2m, boosted by a positive review on the stock from Smith New Court.

Marketing services group WPP improved 2 to 110p on speculation that its J. Walter Thompson subsidiary is poised to win the prestigious British Airways account. The account, worth around £60m, is held by Saatchi & Saatchi, now called Cordiant, but is up for review and an announcement could be made today. Saatchi is forecast to lose and the two principal candidates are seen to be Mr Maurice Saatchi's new business and JWT. Cordiant shares were flat at 93p.

Healthcare group AAH dipped 2 to 435p on turnover of 6.8m as Gehe, the German bidder, increased its stake to 30 per cent. Threadneedle Asset Management, which has 5.5 per cent, sold 2 per cent, and one other institution offloaded some of its holding. Gehe is now waiting until 1.00pm on Tuesday to discover whether it has been able to persuade the two main shareholders, PDFM and Schroder, to sell out. Between them they hold 24 per cent.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Apr 27	Apr 26	Apr 25	Apr 24	Apr 21	Yr ago	*High	*Low
Ordinary Share	2442.0	2449.7	2438.4	2434.5	2435.9	2504.2	2454.1	2238.3
Ord. div. yield	4.33	4.32	4.34	4.34	4.35	3.97	4.73	4.31
P/E ratio net	16.75	16.78	16.58	16.56	16.55	19.85	21.33	16.45
P/E ratio nil	16.55	16.58	16.50	16.49	16.47	20.76	22.21	15.77

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2461.7	2455.3	2446.1	2448.7	2447.9	2449.1	2448.1	2447.1	2442.6	2461.7	2441.0

	Apr 27	Apr 26	Apr 25	Apr 24	Apr 21	Yr ago
SEAQ bargains	22,663	23,926	25,416	22,768	24,791	26,405
Equity turnover (£m)†	-	1574.7	1579.3	1199.7	1472.9	1771.3
Equity bargains†	-	35,651	37,438	32,117	38,854	31,454
Shares traded (mil)†	-	710.4	739.5	526.1	719.6	663.8

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	565	Total Highs	162	Total contracts	19,310
Total Falls	630	Total Lows	86	Calls	10,783
Same	1,673			Puts	8,527

April 27 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3245.0	3221.0	-11.0	3248.0	3220.0	11840	71189
Sep	3260.0	3243.0	-11.0	3260.0	3250.0	54	1821
Dec		3273.0	-11.0			0	180

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3545.0	3545.0	+10.0	3545.0	3545.0	2	4240

FT-SE 100 INDEX OPTION (LIFFE) (3216) £10 per full index point

	3050	3100	3150	3200	3250	3300	3350	3400
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 1,477 Puts 2,654

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3025	3075	3125	3175	3225	3275	3325	3375
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 946 Puts 3,329 [illegible]
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
170	F.P.	74.1	171	171	Biocompatibles Int'l	[illegible]					
-	P.P.	132.7	728	689	Brit Aero Cap Uts	[illegible]					
60	F.P.	9.66	63	61	Coral Products	[illegible]					
§128	F.P.	15.5	135	128	Dailywin	[illegible]					
§130	F.P.	56.4	158	136	Datrontech	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
190	F.P.	[illegible]	[illegible]	[illegible]	General Cable	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
476	F.P.	[illegible]	[illegible]	[illegible]	Ivory & Sime Disc	[illegible]					
90	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]					
512	F.P.	[illegible]	[illegible]	[illegible]	"PowerGen (P/P)"	[illegible]					
125	F.P.	[illegible]	[illegible]	[illegible]	Precoat Int'l	[illegible]					
270	F.P.	[illegible]	[illegible]	[illegible]	Rainford	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	Schroder Inc Gth	[illegible]					
-	F.P.	[illegible]	[illegible]	[illegible]	Do. Warrants	[illegible]					
100	F.P.	[illegible]	[illegible]	[illegible]	Scott Or Smlr Cos	[illegible]					
97	F.P.	[illegible]	[illegible]	[illegible]	Vislon	[illegible]					

* Note. Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Apr 26	% chg on day	Apr 25	Apr 24	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1946.72	-2.0	1987.84	1982.73	1843.73	2.13	2237.80	1837.91
Regional Indices								
Africa (16)	2639.71	-1.2	2732.25	2747.33	2617.23	4.86	3711.87	2365.52
Australasia (7)	2394.83	-0.9	2417.46	2423.10	2385.92	1.54	2951.49	1768.20
North America (11)	1666.03	-2.7	1712.24	1790.13	1539.57	0.82	1911.21	1348.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Apr 27	Day's chge%	Apr 26	Apr 25	Apr 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3217.6	-0.3	3226.2	3214.9	3209.3	3129.9	4.24	1.92	15.32	51.80	1246.19
FT-SE Mid 250	3526.2	+0.2	3517.6	3511.5	3497.8	3797.4	3.67	1.80	18.95	44.03	1345.69
FT-SE Mid 250 ex Inv Trusts	3535.3	+0.3	3525.5	3520.0	3507.3	3812.8	3.81	1.86	17.66	46.02	1347.96
FT-SE-A 350	1598.4	-0.2	1600.8	1595.6	1592.3	1591.7	4.11	1.90	16.01	24.44	1268.74
FT-SE-A 350 Higher Yield	1612.2	-0.2	1614.7	1610.7	1608.4	1587.7	5.05	1.68	14.69	32.04	1056.60
FT-SE-A 350 Lower Yield	1584.3	-0.1	1586.7	1580.6	1575.5	1554.7	3.02	2.31	17.89	16.40	1055.66
FT-SE SmallCap	1764.73	+0.2	1761.26	1756.45	1749.87	1942.90	3.43	1.59	22.88	21.84	1397.04
FT-SE SmallCap ex Inv Trusts	1741.80	+0.2	1737.72	1732.81	1726.40	1918.86	3.64	1.66	20.69	22.52	1384.32
FT-SE-A ALL-SHARE	1578.40	-0.1	1580.39	1575.48	1571.79	1583.51	4.06	1.88	16.39	23.78	1273.83

FT-SE Actuaries All-Share

	Apr 27	Day's chge%	Apr 26	Apr 25	Apr 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2800.60	-0.6	2817.06	2804.44	2802.70	2675.10	3.68	1.75	19.46	52.65	1153.23
12 Extractive Industries(7)	3681.98	+0.2	3675.30	3665.67	3658.33	3866.02	3.82	1.96	16.66	91.94	1042.63
15 Oil, Integrated(3)	2802.06	-0.8	2823.31	2808.51	2808.36	2610.37	3.78	1.79	18.49	50.43	1179.10
16 Oil Exploration & Prod(14)	2036.42	-0.5	2046.27	2044.61	2026.78	2036.69	2.43	0.43	80.00†	31.57	1198.10
20 GEN INDUSTRIALS(279)	1883.50	+0.1	1880.92	1875.69	1868.86	2129.47	4.17	1.64	18.26	29.46	984.53
21 Building & Construction(38)	967.73	+0.8	960.16	960.51	952.29	1327.65	4.10	1.89	16.09	17.37	776.16
22 Building Matls & Merchs(31)	1739.92	+0.4	1733.56	1738.24	1731.60	2124.08	4.25	1.91	15.41	27.71	841.27
23 Chemicals(22)	2306.52	+0.5	2295.69	2282.72	2283.35	2546.72	4.10	1.38	22.06	33.48	1046.60
24 Diversified Industrials(18)	1830.05	-0.4	1836.49	1839.61	1835.31	2145.07	5.21	1.45	16.49	40.72	969.45
25 Electronic & Elect Equip(37)	1964.72	+0.5	1954.18	1936.79	1932.20	2054.63	3.71	1.92	17.49	13.10	977.42
26 Engineering(72)	1857.83	+0.1	1856.45	1845.53	1835.98	1985.91	3.34	1.86	20.22	21.26	1083.87
27 Engineering, Vehicles(13)	2211.69	+0.3	2204.02	2199.41	2188.70	2470.36	4.14	0.38	79.42	47.72	1106.82
28 Paper, Pckg & Printing(27)	2855.69	-0.2	2861.47	2843.66	2822.23	2955.43	3.35	2.31	16.18	37.94	1146.32
29 Textiles & Apparel(21)	1593.59	+0.5	1585.24	1572.96	1564.93	1626.03	4.43	1.63	17.35	26.92	928.60
30 CONSUMER GOODS(94)	3047.78	.....	3048.74	3040.74	3032.42	2730.48	4.26	1.63	18.01	52.92	1078.72
31 Breweries(18)	2286.39	+0.1	2283.65	2269.11	2265.86	2285.37	4.19	2.08	14.67	12.19	1047.60
32 Spirits, Wines & Ciders(10)	2765.19	.....	2766.39	2748.52	2750.92	2979.67	4.20	1.83	16.27	54.52	954.03
33 Food Producers(24)	2433.14	-0.1	2435.65	2432.28	2417.28	2376.67	4.17	1.96	15.32	51.64	1057.88
34 Household Goods(10)	2478.98	+1.5	2441.46	2442.80	2438.99	2718.41	3.71	0.86	38.94	50.32	916.47
36 Health Care(18)	1712.44	-0.1	1713.58	1707.01	1704.29	1708.68	3.03	0.97	42.42	9.19	1005.68
37 Pharmaceuticals(12)	3802.52	-0.3	3812.58	3815.93	3815.88	2713.75	4.08	1.33	23.09	49.48	1236.84
38 Tobacco(2)	4008.19	+0.4	3992.51	3964.83	3913.63	3871.56	5.66	1.63	13.54	131.29	946.65
40 SERVICES(229)	1958.27	-0.3	1964.57	1949.06	1940.55	2055.67	3.34	2.10	17.86	22.81	962.30
41 Distributors(32)	2440.72	-0.5	2452.39	2438.79	2419.16	3091.67	3.92	1.96	16.39	41.11	866.13
42 Leisure & Hotels(29)	2197.57	-0.2	2201.92	2190.47	2187.38	2252.09	3.50	1.58	22.57	35.29	1108.15
43 Media(43)	2889.66	+0.1	2886.43	2879.17	2864.11	3152.52	2.71	2.27	20.32	47.53	1023.35
44 Retailers, Food(16)	1916.42	-0.3	1921.65	1901.67	1890.65	1575.16	3.52	2.48	14.35	17.14	1167.25
45 Retailers, General(44)	1642.26	-0.4	1648.32	1629.14	1619.50	1761.40	3.36	2.12	17.60	10.92	900.03
48 Support Services(37)	1534.66	+0.1	1532.65	1531.38	1526.00	1679.10	2.79	2.46	18.18	13.59	948.59
49 Transport(21)	2191.23	-1.3	2219.51	2191.69	2190.93	2542.55	3.92	1.69	16.84	29.32	877.08
51 Other Services & Business(7)	1228.05	+0.9	1217.49	1216.30	1214.90	1185.98	3.68	1.21	28.00	10.90	1075.30
60 UTILITIES(37)	2320.35	-0.2	2326.10	2324.92	2327.79	2241.78	4.69	1.93	13.60	6.85	914.23
62 Electricity(17)	2223.86	-0.1	2225.02	2215.23	2222.46	2132.30	4.60	2.67	10.20	19.89	951.71
64 Gas Distribution(2)	1973.88	-0.8	1988.55	2006.61	2032.20	1872.81	6.07	0.65	31.58	0.00	927.11
66 Telecommunications(5)	2009.04	-0.2	2013.49	2012.06	2005.75	1986.79	4.07	1.69	18.22	0.13	871.96
68 Water(13)	1845.01	-0.3	1851.07	1845.59	1843.43	1717.30	5.43	2.73	8.43	4.62	940.79
69 NON-FINANCIALS(683)	1704.67	-0.2	1707.38	1700.64	1696.62	1716.64	4.01	1.80	17.34	22.93	1234.63
70 FINANCIALS(117)	2267.57	.....	2267.90	2268.87	2266.93	2198.13	4.67	2.33	11.49	56.44	929.21
71 Banks, Retail(9)	3034.21	-0.1	3038.28	3040.53	3047.46	2759.55	4.53	2.95	9.36	86.03	941.76
72 Banks, Merchant(6)	3176.68	-0.5	3193.56	3191.12	3187.64	2955.31	3.64	2.54	13.48	31.67	974.88
73 Insurance(26)	1268.96	+0.7	1260.67	1259.06	1248.41	1312.23	5.59	1.66	13.47	34.09	902.87
74 Life Assurance(6)	2494.41	-0.2	2499.72	2497.64	2498.42	2447.23	5.45	1.33	17.26	91.02	1000.88
77 Other Financial(22)	1982.75	+0.3	1976.02	1973.35	1972.06	1899.01	3.87	2.32	13.91	22.91	1084.36
79 Property(46)	1345.08	.....	1345.41	1349.82	1338.93	1640.11	4.47	1.17	23.91	12.77	787.80
80 INVESTMENT TRUSTS(133)	2680.78	+0.1	2678.34	2670.55	2654.67	2857.93	2.38	1.03	51.01	20.53	912.94
89 FT-SE-A ALL-SHARE(913)	1578.40	-0.1	1580.39	1575.48	1571.79	1583.51	4.06	1.88	16.39	23.78	1273.83
FT-SE-A Fledgling	969.62	-0.1	970.60	970.87	969.20	-	3.11	1.12	35.81	9.85	979.54
FT-SE-A Fledgling ex Inv Trusts	963.86	-0.2	965.40	965.94	964.46	-	3.28	1.15	32.94	10.33	974.22

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3241.5	3233.6	3222.4	3224.6	3222.6	3224.8	3224.7	3222.9	3216.6	3241.5	3216.2
FT-SE Mid 250	3522.8	3523.0	3522.2	3524.6	3523.8	3524.4	3524.9	3525.2	3526.3	3526.7	3522.1
FT-SE-A 350	1607.2	1604.2	1599.8	1600.9	1600.1	1601.0	1601.0	1600.3	1598.0	1607.2	1597.8

Time of FT-SE 100 Day's high: 8.30am Day's low: 4.15pm. FT-SE 100 1994 High: 3228.2 (26/4) Low: 2954.2 (23/1).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	943.8	945.7	947.8	950.7	951.8	953.6	953.6	954.1	954.0	954.0	940.8	+13.2
Pharmaceuticals	3802.9	3792.7	3788.5	3786.5	3786.4	3781.1	3780.5	3770.5	3786.4	3770.4	3781.0	-10.6
Water	1848.5	1846.6	1839.0	1837.4	1838.5	1838.5	1839.4	1838.4	1839.4	1836.6	1844.8	-8.2
Banks, Retail	3091.9	3081.9	3083.9	3072.4	3073.2	3082.1	3082.3	3080.6	3071.2	3072.9	3078.7	-5.8

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products for these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries All-Share Index is calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is calculated by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are compiled by The WM Company.
† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey National	[illegible]	[illegible]	[illegible]
Allied Domecq	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]
BT	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Bank of Scotland	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Bowater	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]
British Airways	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel	[illegible]	[illegible]	[illegible]
Burmah Castrol	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]
Cable & Wireless	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue†	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Eastern Elec	[illegible]	[illegible]	[illegible]
East Midland Elec	[illegible]	[illegible]	[illegible]
Electrocomponents	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil	[illegible]	[illegible]	[illegible]
Eurotunnel Uts	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
Foreign & Col.	[illegible]	[illegible]	[illegible]
Forte†	[illegible]	[illegible]	[illegible]
Gen. Accident	[illegible]	[illegible]	[illegible]
General Elect.	[illegible]	[illegible]	[illegible]
Glaxo†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crfd	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Inchcape†	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Kwik Save	[illegible]	[illegible]	[illegible]
Ladbroke†	[illegible]	[illegible]	[illegible]
Land Securities	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General	[illegible]	[illegible]	[illegible]
Lloyds Abbey	[illegible]	[illegible]	[illegible]
Lloyds Bank†	[illegible]	[illegible]	[illegible]
LASMO	[illegible]	[illegible]	[illegible]
London Elect.	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
MEPC†	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Manweb	[illegible]	[illegible]	[illegible]
Marks & Spencer	[illegible]	[illegible]	[illegible]
Midlands Elec	[illegible]	[illegible]	[illegible]
Morrison (Wm)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank	[illegible]	[illegible]	[illegible]
National Power	[illegible]	[illegible]	[illegible]
Next	[illegible]	[illegible]	[illegible]
North West Water	[illegible]	[illegible]	[illegible]
Northern Elec	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Norweb	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
RTZ†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Rank Org.†	[illegible]	[illegible]	[illegible]
Reckitt & Colman	[illegible]	[illegible]	[illegible]
Redland†	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Ryl Bk Scotland	[illegible]	[illegible]	[illegible]
Royal Insurance	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders†	[illegible]	[illegible]	[illegible]
Scottish & Newcastle	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elec	[illegible]	[illegible]	[illegible]
Scottish Power	[illegible]	[illegible]	[illegible]
Sears†	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Seeboard	[illegible]	[illegible]	[illegible]
Severn Trent†	[illegible]	[illegible]	[illegible]
Shell Transport	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Ests	[illegible]	[illegible]	[illegible]
Smith (W.H.)	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
SmKl Beecham	[illegible]	[illegible]	[illegible]
SmKl Beecham Uts	[illegible]	[illegible]	[illegible]
Smiths Inds.	[illegible]	[illegible]	[illegible]
Southern Elec	[illegible]	[illegible]	[illegible]
South Wales Elec	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
South West. Elec	[illegible]	[illegible]	[illegible]
Southern Water	[illegible]	[illegible]	[illegible]
Standard Chartered	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance†	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
TSB†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
Taylor Woodrow	[illegible]	[illegible]	[illegible]
TeleWest	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water	[illegible]	[illegible]	[illegible]
Thorn EMI†	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

مكرر من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 27 / Sch)

BELGIUM/LUXEMBOURG (Apr 27 / Frs.)

CZECH REP (Apr 26 / Koruna)

DENMARK (Apr 27 / Kr)

FINLAND (Apr 27 / Mkk)

FRANCE (Apr 27 / Frs.)

GERMANY (Apr 27 / Dm.)

GREECE (Apr 27 / Drachma)

ITALY (Apr 27 / Lire)

NETHERLANDS (Apr 27 / Fls.)

NORWAY (Apr 27 / Kroner)

POLAND (Apr 26 / Zloty)

PORTUGAL (Apr 27 / Escudo)

SPAIN (Apr 27 / Pts.)

SWEDEN (Apr 27 / Kronor)

SWITZERLAND (Apr 27 / Frs.)

TURKEY (Apr 27 / TK Lira)

PACIFIC

JAPAN (Apr 27 / Yen)

HONG KONG (Apr 27 / H.K.$)

INDONESIA (Apr 27 / Rupiah)

MALAYSIA (Apr 27 / MYR)

NEW ZEALAND (Apr 27 / NZ $)

SINGAPORE (Apr 27 / S$)

AUSTRALIA (Apr 27 / Aust$)

SOUTH KOREA (Apr 27 / Won)

TAIWAN (Apr 27 / TW $)

THAILAND (Apr 27 / Baht)

AFRICA

SOUTH AFRICA (Apr 26 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 27 / Can $) 4 pm close

MONTREAL (Apr 27 / Can $) 4 pm close

INDICES

	Apr 27	Apr 26	Apr 25	1995 High	1995 Low
Argentina					
General (29/12/77)	(u)	15194.03	15572.58	16531.10 2/1	9831.09 9/3
Australia					
All Ordinaries(1/1/80)	2032.4	2008.3	(c)	2040.58 18/4	1823.30 8/2
All Mining(1/1/80)	935.5	926.4	(c)	982.80 19/4	785.30 8/2
Austria					
Credit Aktien(30/12/84)	352.19	354.51	354.67	395.42 2/1	350.32 30/3
Traded Index(2/1/91)	959.33	959.56	959.80	1058.31 2/1	934.83 30/3
Belgium					
BEL20 (1/1/91)	1419.98	1416.97	1411.93	1419.98 27/4	1271.53 9/3
Brazil					
Bovespa (29/12/83)	(u)	38259.0	38991.0	43190.00 2/1	21382.00 9/3
Canada					
Metals Minls♦(1975)	(u)	4066.56	4104.80	4326.07 18/1	3806.83 1/3
Composite♦ (1975)	(u)	4282.90	4281.10	4318.48 30/3	3991.41 30/1
PortfolioSS (4/1/83)	(u)	2116.46	2117.79	2146.48 13/4	1948.39 31/1
Chile					
IPGA Gen (31/12/80)	(u)	5475.6†	5475.6	5516.21 17/1	4576.90 9/3
Denmark					
CopenhagenSE(3/1/83)	344.89	342.40	340.40	357.87 13/2	330.01 29/3
Finland					
HEX General(28/12/90)	1775.8	1777.8	1747.5	1940.36 10/1	1655.30 28/3
France					
SBF 250 (31/12/90)	1285.97	1271.79	1271.78	1271.79 26/4	1153.14 10/3
CAC 40(31/12/87)	1930.96	1942.32	1945.93	1945.93 25/4	1721.80 13/3
Germany					
FAZ Aktien(31/12/58)	744.89	747.25	741.42	785.81 16/2	708.87 30/3
Commerzbank(1/12/53)	2137.2	2143.9	2127.9	2269.00 16/2	2018.70 30/3
DAX (30/12/87)‡	2026.08	2029.53	2008.99	2135.04 15/2	1910.86 28/3
Greece					
Athens SE(31/12/80)	822.36	823.03	827.49	869.22 4/1	787.15 16/3
Hong Kong					
Hang Seng(31/7/64)	8312.29	8285.69	8505.60	8827.93 28/3	6967.93 23/1
India					
BSE Sens.(1979)	3210.71	3264.79	3273.17	3932.09 2/1	3210.71 27/4
Indonesia					
Jakarta Comp.(10/8/82)	417.81	419.60	421.78	481.22 6/1	414.21 19/4
Ireland					
ISEQ Overall(4/1/88)	1885.38	1886.67	1876.03	1902.77 10/2	1813.59 23/1
Italy					
Banca Comm Ital (1972)	638.65	626.19	(c)	680.64 10/2	587.99 23/3
MIB General (2/1/85)	1006.0	989.0	(c)	1076.00 10/2	929.00 23/3
Japan					
Nikkei 225 (16/5/49)	16883.99	16826.49	16910.54	19723.06 2/1	15381.29 3/4
Nikkei 300 (1/10/82)	247.24	248.24	247.22	287.17 2/1	228.66 24/3
Topix (4/1/68)	1334.21	1329.85	1336.60	1559.09 2/1	1239.67 24/3
2nd Section (4/1/68)	1691.49	1687.55	1695.05	2133.86 2/1	1601.53 24/3
Malaysia					
KLSE Comp.(4/4/86)	942.44	958.63	(c)	998.79 5/4	840.87 24/1
Mexico					
IPC (Nov 1978)	(u)	2006.98	2001.15	2354.25 2/1	1447.52 27/2
Netherland					
CBS TtlRtnGen(End 83)	445.4	444.5	439.6	447.00 10/2	422.80 23/3
CBS All Shr (End 83)	278.6	278.1	275.1	280.40 10/2	265.20 23/3
New Zealand					
Cap. 40 (1/7/86)	2121.00	2120.51	(c)	2123.83 20/4	1901.43 5/1
Norway					
Oslo SE(Ind)(2/1/83)	1152.09	1151.16	1145.51	1152.88 6/2	1036.06 10/3
Philippines					
Manila Comp (2/1/85)	2470.98	2474.23	2481.92	2805.28 3/1	2248.36 27/3
Portugal					
BTA (1977)	2758.9	2781.2	(c)	2911.60 9/1	2682.40 26/1
Singapore					
SES All-S'pore(2/4/75)	500.00	501.76	501.63	536.06 5/1	472.80 23/1
South Africa					
JSE Gold (28/9/78)	(c)	1483.2♥	1479.2	2023.00 2/1	1357.80 27/3
JSE Indl. (28/9/78)	(c)	6819.3♥	6794.4	6984.40 3/1	6222.00 31/1
South Korea					
KoreaCmpEx(4/1/80)**	883.88	880.73	878.76	1027.37 2/1	876.88 24/4
Spain					
Madrid SE (30/12/85)	282.47	278.34	276.94	290.08 6/2	264.06 23/3
Sweden					
AffarsvardnGen (1/2/37)	1548.1	1543.5	1542.7	1583.80 14/2	1438.80 29/3
Switzerland					
Swiss Bk Ind (31/12/58)	1216.88	1215.33	1209.79	1257.80 14/2	1174.63 13/3
SBC General (1/4/87)	904.30	904.74	900.76	929.91 4/1	870.58 13/3
Taiwan					
WeightedPr.(30/6/66)**	5898.53	5735.23	5903.14	7124.66 3/1	5735.23 26/4
Thailand					
Bangkok SET (30/4/75)	1171.86	1161.62	1168.79	1373.86 5/1	1136.69 16/3
Turkey					
Istanbul Cmp.(Jan 1986)	47706.3	51228.8	50560.9	54653.80 21/4	24844.31 23/1
WORLD					
MS Capital Int (1/1/70)$	666.0*	663.2	669.9	669.90 25/4	598.21 23/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1307.41	1304.32	1296.65	1348.30 10/2	1222.41 13/3
Euro Top-100 (26/6/90)	1190.84	1188.11	1182.38	1202.67 10/2	1114.54 10/3
JCapelDrgns (31/12/88)	(u)	301.21	308.69	309.59 14/4	262.07 23/1
Barings Emerg.(7/1/92)	142.90	142.10	141.48	158.07 2/1	117.16 10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Apr	1944.0	1929.0	-12.0	1948.0	1927.0	38,340	17,918
May	1943.0	1928.0	-11.0	1945.0	1926.5	19,248	28,184
DAX							
Jun	2027.0	2025.5	+1.0	2034.0	2016.0	11,785	122,213
Sep	2054.5	2047.0	-	2054.5	2038.0	84	2,729
OMX							
Apr	1205.00	1210.50	+10.00	1213.00	1204.25	1,888	17,879
May	1193.25	1192.50	+4.00	1201.00	1192.00	7,386	12,912
SOFFIX							
May	2561.0	2548.5	-9.5	2562.8	2547.0	3,310	14,455
Jun	2545.0	2533.0	+18.0	2545.0	2545.0	1	1,0178

** Sat Apr 22: Taiwan Weighted Price 5967.93; Korea Comp Ex 891.84. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 27 - 2024.25 -4.27.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Apr 26	Apr 25	Apr 24	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4298.63	4300.17	4303.98	4303.98 (24/4)	3832.08 (30/1)	4303.98 (24/4/95)	41.22 (2/7/32)
Home Bonds	99.05	98.94	99.07	99.14 (21/4)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1670.68	1664.62	1650.18	1670.68 (26/4)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	194.04	194.44	194.90	198.74 (8/2)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4324.79 (4337.18) Low 4267.32 (4287.32) (Theoretical♦)
Day's high 4307.78 (4315.39) Low 4283.23 (4294.99) (Actual♦)

Standard and Poors	Apr 26	Apr 25	Apr 24	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	512.66	512.10	512.89	512.89 (24/4)	459.11 (3/1)	512.89 (24/4/95)	4.40 (1/6/32)
Industrials♥	610.06	609.36	610.43	610.43 (25/4)	546.28 (3/1)	610.43 (25/4/95)	3.62 (21/6/32)
Financial	47.83	47.68	47.80	47.83 (26/4)	41.41 (2/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	276.49	276.39	276.84	276.84 (24/4)	250.73 (3/1)	276.84 (24/4/95)	4.46 (25/4/42)
Amex Mkt Val	473.86	473.59	473.57	473.86 (26/4)	433.12 (3/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	836.91	831.29	826.91	836.91 (26/4)	743.58 (3/1)	836.91 (26/4/95)	54.87 (31/10/72)

■ RATIOS

	Apr 21	Apr 13	Apr 7	Year ago
Dow Jones Ind. Div. Yield	2.57	2.60	2.61	2.79
	Apr 19	Apr 12	Apr 5	Year ago
S & P Ind. Div. yield	2.27	2.25	2.26	2.55
S & P Ind. P/E ratio	18.06	18.15	18.11	23.24

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Chrysler	8,176,800	41½	-2¾
Telefonos	5,793,800	31⅝	+⅜
Compaq	5,116,800	38⅜	-¼
Natl Semi	4,975,600	22¾	+2
Norsk Hydro	4,886,600	40⅛	+⅛
Motorola	4,397,100	57½	+1⅜
Grupo Trib	4,008,500	9	+1⅛
IBM	3,789,000	95¼	+1⅝
Micron	3,628,000	61¼	-⅛
Wal-Mart	3,393,200	23⅝	----

■ TRADING ACTIVITY

● Volume (million)	Apr 26	Apr 25	Apr 24
New York SE	350.792	361.776	328.184
Amex	22.577	18.983	17.316
NASDAQ	359.967	341.983	280.106
NYSE			
Issues Traded	2,962	2,971	2,983
Rises	1,149	1,146	1,374
Falls	1,069	1,060	841
Unchanged	744	763	748
New Highs	106	127	127
New Lows	23	18	13

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Jun	514.30	513.75	-0.45	514.45	513.00	57,435	192,165
Sep	517.80	518.05	-0.50	518.05	517.40	982	14,761
Nikkei 225							
Jun	17000.0	16950.0	+70.0	17070.0	16830.0	19,774	121,817
Sep	17000.0	16990.0	+50.0	17090.0	16990.0	20	1,857

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, April 27, 1995

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Oil	7.4m	917	+27
Tosoh	7.2m	455	+7
Denki Kagak	3.8m	393	+19
Tamura Elec	3.0m	950	+26
Nippon Steel	2.8m	335	
Tokyo Gas	2.5m	384	-1
Toshiba	2.5m	565	
Hitachi	2.4m	880	-9
Show Denko	2.0m	310	+7
Mitsubishi Chem	2.0m	465	+9

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. (A) Changes based on yesterday's pre-close prices.

4 pm close April 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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- G -

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- H -

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- I -

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4 pm close April 27

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close April 27

AMEX COMPOSITE PRICES

4 pm close April 27

FINANCIAL TIMES Friday April 28 1995

AMERICA

Nasdaq leads again as Dow holds ground

Wall Street

Strength in technology and biotechnology issues helped the Nasdaq composite surge to another record high by early afternoon; but other indices were mixed, *writes Lisa Bransten in New York.*

In early trading the Nasdaq composite had climbed 5.14 to 842.05 to break its previous record set on Wednesday. At 1 pm the Dow Jones Industrial Average was 0.69 higher at 4,300.52 while the Standard & Poor's 500 gained 0.01 at 512.67. The American Stock Exchange composite was ahead 1.24 at 475.10.

Trading volume on the New York Stock Exchange came to 212m shares, and advancing issues led declines by a ratio of about 10-to-nine.

Although a number of companies reported stronger than expected first-quarter earnings, weakness on the bond and currency markets held indices back from the strong advances they had made in recent days.

In the early afternoon the long bond was off nearly an eighth of a point from its level on Wednesday and the dollar was lower against the Japanese yen, although it was slightly higher against the D-Mark.

The Nasdaq composite was the only major index to shake off weakness in other financial markets and to rise, mostly on the basis of strong quarterly results and continued demand for technology stocks.

The Pacific Stock Exchange technology index was up 0.5 per cent in early trading, with Cirrus Logic up by more than 21 per cent, or $8¾ at $49⅞, after reporting fourth quarter earnings of 59 cents per share against 48 cents for the same period of the previous year.

Strong earnings also helped several Nasdaq biotechnology shares: Genzyme climbed $3¼ at $41¾ and Amgen gained $2 at $72⅝.

On the New York Stock exchange Alex Brown jumped $2¾ to $41 amid renewed rumours that a takeover might be launched for the investment bank.

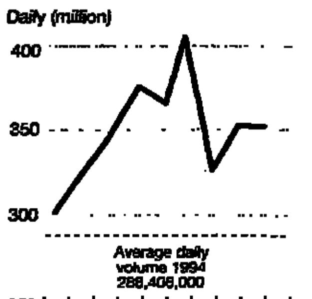
Strong earnings helped to boost shares in Delta Air Lines, up $1⅞ at $63⅞, but stronger-than-expected results did not help Xerox, which dropped $4 at $121⅞. On Wednesday, Xerox jumped $6⅝ as investors anticipated strong earnings for the company and reacted to news that it had entered an alliance with an Israeli company to develop digital colour printers.

Quaker Oats declined $⅝ to $34 after reporting weaker than expected third-quarter results. The food company announced earnings of 30 cents per share versus analysts' expectations of closer to 32 cents a share. Sara Lee also lost ground because of weak earnings, relinquishing $⅝ at $27⅝ after it revealed third-quarter earnings of 32 cents a share, 2 cents a share less than the mean forecast.

Steel companies bounced back after Wednesday's losses: Nucor recovered nearly all of the $4 it lost, rising $3⅝ at $48⅛, while USX-US Steel Group gained $⅝ at $30⅝ and Bethlehem Steel $⅝ at $14⅞.

American Depository Receipts of Mexican companies lost ground as investors took profits. Telmex lost $⅞ at $30⅝, Televisa fell $⅞ at $20¼, and Empresas ICA dropped $⅜ at $11⅛.

NYSE volume



Canada

Toronto was weak at midday, as investors worried about the possibility of a correction on Wall Street. The TSE-300 composite index was 5.60 lower by noon at 4,277.32 in volume of 28.8m shares. Declines led advancing issues by 273 to 255, with 327 stocks unchanged.

Among actively traded issues, BCE dropped C$1 to C$42½ after reporting a 38 per cent fall in first-quarter profits.

Bank stocks were weak, reflecting worries about the bankruptcy of Bramalea, the real estate company, and the future of Unitel, the telecommunications group which pioneered long-distance competition in Canada against the local telephone monopolies. All of the big five banks posted losses, with Scotiabank down C$⅝ to C$27½.

Methanex rose C$¼ to C$14¼ after reporting a sharp increase in first quarter earnings.

Hummingbird Communications gained C$¾ at C$31¾ after Wednesday's news that it would supply software to Bellsouth Telecommunications.

Profits are taken among Latin America's markets

Mexican equities reversed early gains by mid-morning as profits were taken. The IPC index was off 17.18 at 1,989.83 by late morning. Volume was light at 16.5m shares.

Telmex, which reported a first-quarter net loss of 390m pesos on Wednesday, slipped 1.5 per cent.

SAO PAULO added to Wednesday's 3.4 per cent rise with one of 1 per cent by mid-session. However, many investors were absent as they awaited a meeting of the National Monetary Council at which the government was expected to announce measures to curb economic growth.

The Bovespa index had gained 418 at 38,677 in turnover of R$156.2m ($170m).

BUENOS AIRES encountered profit-taking after the Merval index had seen a rise of 20 per cent over the last five sessions. The index was down 1.76 at 420.68 by midsession in turnover of 21.4m pesos. **CARACAS** made forward progress in spite of a lack of corporate news. The Merinvest composite index closed 0.55 firmer at 90.73.

EUROPE

Enthusiasm for Siemens wanes on DM warning

Company results moved share prices in northern Europe, while politics and speculation lifted the south; *writes Our Markets Staff.*

FRANKFURT faced the consequences of D-Mark appreciation on two, or arguably three, of its market leaders as the Ibis-indicated Dax index closed 4.27 lower at 2,024.25 after hours, turnover easing from DM8.1bn to DM7.3bn.

Enthusiasm for Siemens waned, the electronics and engineering combine falling DM18.20 to DM679 after a 7 per cent increase in first-half net profits, and the warning that the strong D-Mark had endangered its forecast of a 20 per cent profits increase for the year to September.

Another big exporter, Schering, fell DM45 or 4.2 per cent to DM1,035. Talk here was that analysts' downward earnings adjustments, reflecting the cost of the D-Mark/dollar relationship, would weaken support for the pharmaceuticals group.

Second liners included a big winner in Kampa-Haus, the prefabricated housing company, which boosted its dividend, announced a scrip issue, and rose DM37 or 5.1 per cent to DM760.

AMSTERDAM was comforted by its corporate news and the AEX index moved ahead 1.75 to 415.54.

Akzo Nobel reported a sharp rise in first-quarter net profits and galloped to a session's high of Fl 186 before subsiding to end 30 cents up at Fl 183. DSM, the other leading Dutch chemical group, rose 70 cents to Fl 131.10.

Philips rose another Fl 2.10 at Fl 58.80 in volume of 7.5m shares on further consideration of Wednesday's strong first quarter results, attracting a number of brokers' upgrades. However, worries remained over the effect that currency turbulence and, in particular, the weakness of the dollar would have on the second half.

Borsumij, the trading group, released figures at the top end of expectations, and the shares added 30 cents to Fl 28.70.

Nutricia, the manufacturer of baby foods, softened 10 cents to Fl 94.90 on unconfirmed reports that it might face prosecution following the contamination of some of its products in November 1993.

Heineken added Fl 7 to Fl 273.50 ahead of today's dividend payment.

PARIS edged lower for the second consecutive session, investors locking in profits just in case the socialist party candidate in the presidential election, Mr Lionel Jospin, surprised the pollsters by snatching victory in next month's second round. The CAC-40 index fell 11.36 to 1,930.96 in healthy turnover of FFr4.3bn.

Roussel Uclaf fell sharply, off FFr22 or 3 per cent to FFr707, as its first quarter figures disappointed, largely due to its exposure to Latin America, Mexico in particular, and the US dollar. The Goldman Sachs drugs team remarked that while it had yet not changed its eps estimates, currently at FFr53.00 for 1995 and FFr61.50 for 1996, there could well be scope to reduce the forecasts by between 2 to 3 per cent.

Rhône-Poulenc, up FFr2.20 at FFr119.70, more than satisfied analysts as the chemicals group produced very strong three month figures. Mr Peter Houghton, chemicals analyst at J.P. Morgan, said that he would be maintaining his buy recommendation, and noted that the agro and fibre divisions had both done well.

MILAN continued to ride a wave of optimism over the prospects for an agreement soon on pension reform between the government, unions and employers and the Comit index picked up 10.46, or 1.7 per cent to 636.65.

Insurers were among the day's best performers. Ina rose L63 to L2,280 and Ras was L418 ahead at L17,372, with dealers noting further foreign enthusiasm for the sector which is expected to profit from the introduction of personal pensions.

Benetton jumped L503 to L16,506 after winning a German court's backing in a dispute with a client retailer.

The Orlando group's SMI added to Wednesday's 9 per cent plunge with a further fall of L35 to L650 in response to the copper alloy manufacturing group's plans for a financial reorganisation to ease debt and streamline the structure of individual companies.

ZURICH finished easier after a subdued day's trade with losses among bank shares leading the market down. The SMI index eased 7.4 to 2,567.0.

CS Holding bearers lost SFr9 to SFr479 as investors awaited news of its dividend proposal, which came after the market closed, and SBC bearers fell SFr8 to SFr371.

Roche certificates, sharply higher in recent days, finished SFr5 ahead at SFr6,850 with its 15 per cent rise in 1994 profits coming at the mid-point of expectations.

Holderbank bearers jumped SFr17 to SFr905, still benefiting from positive analysts' comments after the 1994 results earlier in the week.

MADRID talked technicalities, saying that the market was moving up through resistance levels, and attracting speculation in the process. The general index rose 4.13 to 282.47, with Argentaria Pta110 higher at Pta3,960 on a modest rise in dividend.

BRUSSELS was again dominated by trading in Union Minière which continued its advance in response to rising zinc prices on the London Metal Exchange. The Bel-20 index added 2.99 to 1,419.96 as Union Minière added to Wednesday's BFr50 advance with one of BFr70 to BFr2,180.

The steel sector was also encouraged by optimism about the outlook for a firmer dollar. Arbed rose BFr110 to BFr4,270.

ISTANBUL hit the downgrade again, the composite index dropping 3,520.49, or 6.9 per cent to 47,706.38 following a 9.1 per cent drop on Monday and a subsequent two day recovery of 3.1 per cent. Brokers again blamed profit-taking following a prolonged bull run since the end of January.

TEL AVIV's Mishtanim index closed higher for the sixth consecutive session, rising 2.14, or 1.3 per cent to 172.56 as turnover rose from Shk82m to Shk107. Once again, selective foreign buying was given the credit for the day's gains.

WARSAW staged a 3.6 per cent rebound, the Wig index recovering 305.6 to 8,917.2 after Wednesday's 7 per cent drop, and following official announcements that interest rates could go down in May.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Apr 27 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1305.66	1306.59	1307.43	1308.76	1310.45	1308.67	1306.48	1307.41
FT-SE Eurotrack 200	1399.61	1400.94	1400.75	1403.12	1403.94	1403.74	1401.69	1401.01

	Apr 26	Apr 25	Apr 24	Apr 21	Apr 20
FT-SE Eurotrack 100	1304.32	1293.65	1281.08	1286.45	1287.69
FT-SE Eurotrack 200	1401.45	1392.63	1380.56	1384.74	1372.02

Base 1000 (26/10/90); Highday: 100 - 1310.78; 200 - 1405.69 Lowday: 100 - 1304.95 200 - 1399.25 † Partial

ASIA PACIFIC

Firm Nikkei sees profit-taking as Taipei jumps 2.9%

Tokyo

Although the yen's drop against the dollar helped share prices rise in early trading, equities closed with only marginal gains due to late profit-taking and technical selling, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was 57.50 up at 16,883.99 after moving within a narrow range of 16,808.56 to 16,989.48. Futures rose on the yen's decline to the Y83 level, prompting arbitrage buying. Individual investors were purchasing in small lots. However, stock prices lost some ground in the afternoon on computer linked selling and profit-taking by institutional investors.

Volume totalled 220m shares, against 201m. Most investors were inactive ahead of the Golden Week string of holidays. Although Tokyo financial markets are open on Monday and Tuesday, many companies, especially manufacturers, are scheduled to close their operations for the week.

The Topix index of all first section stocks put on 4.36 at 1,334.21 and the Nikkei 300 was 1.00 firmer at 247.24. Gainers led losers by 517 to 453, with 191 issues unchanged. In London the ISE/Nikkei 50 index added 1.71 at 1,102.50.

Analysts said some overseas investors were starting to focus on Japan, due to improving valuations. While the price/earnings ratios of Japanese shares remain high relative to other markets, the steep fall in Japanese bond yields has enhanced the attractions of Tokyo equities. "Some European investors quite like Japan compared to the US, but the buying will not be as large as last year," said Mr Neil Rogers, strategist at UBS Securities.

The rise in crude oil prices lifted oil refiners. The sector advanced by 1.6 per cent on buying by individuals and dealers. Mitsubishi Oil, developing oil fields off the coast of Vietnam, was the most active issue of the day, strengthening Y27 to Y917. Cosmo Oil moved up Y3 to Y609 and Showa Shell Sekiyu gained Y20 at Y1,100.

Hyogo Bank, a financially troubled regional bank based in western Japan, tumbled Y23 to Y237, a new low for the year. Trading in the stock had been halted on Wednesday, following reports that a rescue package was being negotiated between the Bank of Japan and several creditor banks. However, investors were discouraged by later denials of such discussions from Hyogo's president.

NTT Data Communications, which made a strong second session debut on Wednesday, rose Y160,000 to Y1.47m. However, Nippon Telegraph and Telephone, the company's parent, lost Y7,000 at Y752,000.

In Osaka, the OSE average was ahead 40.53 at 18,303.88 in volume of 10.4m shares. Nintendo, the video game maker, firmed Y10 to Y5,400 on buying by corporate investors encouraged by the yen's fall.

Roundup

Diverse influences drove trading in the regional markets.

TAIPEI moved sharply forward as the market rebounded following Wednesday's 12-month low. The weighted index rallied 163.30 or 2.9 per cent to 5,898.53. Turnover was T$41bn. Brokers noted that investors had now discounted reports of the ill-health of Chinese leader Deng Xiaoping.

Financial shares led the gains, with the sub-index up 4.6 per cent and the major banks, Chang Hwa, First Commercial and Hwa Nan, gaining T$5, T$4 and T$5 respectively at T$107.50, T$108 and T$111.50.

SEOUL was encouraged by the government's steps to stimulate the market, which included a cut in cash deposit rules to 20 per cent for individual investors. The composite stock index added 13.15 at 893.88. Some brokers said investors also tended to believe rumours that the government was planning another boost, by allowing the Korea Stock Market Stabilisation Fund to lend money to securities houses to support the market.

KUALA LUMPUR was 1.7 per cent lower as foreign investors, particularly those in Hong Kong, stepped up selling on concern over possible capital controls to cap inflation and consumer spending now that the elections are over. The composite index retreated 16.42 to 958.63.

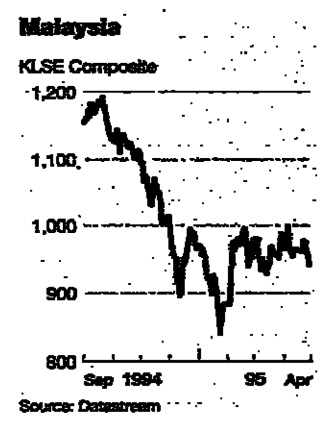
SINGAPORE was easier, with the market mood bearish amid selling of Malaysian shares traded over the counter.

The Straits Times Industrial index ended 7.63 off at 2,056.00, while the UOB OTC index, tracking Malaysian shares, fell 11.38 to 1,049.04.

HONG KONG regained its equilibrium after Wednesday's 2.6 per cent fall, and the Hang Seng index improved 26.60 to 8,312.29, but turnover fell to HK$2.7bn from HK$4.3bn.

Cheung Kong shed 40 cents to HK$32.50 after sliding HK$1.30 on Wednesday, while its Hutchison associate edged down 10 cents to HK$33.20, the continued weakness attributed by some analysts to concerns over a renewed dip in the recently reviving property market.

Malaysia



Source: Datastream

SHANGHAI's domestic A shares dived 9.2 per cent to their low for the day on rumours that Deng Xiaoping was in hospital, before the index recovered some composure to finish 30.755 or 4.9 per cent down at 593.352. The hard currency B index was steady after posting two days of record lows, closing 0.004 better at 50.306.

SYDNEY was lifted by better than expected CPI data and the All Ordinaries index added 23.1 at 2,032.4 in A$590m turnover.

JAKARTA was upset by a rumour, quickly denied by the authorities, that President Suharto was in ill health. The composite index ended 2.52 easier at 417.08.

BANGKOK saw heavy foreign buying in the finance sector which lifted the SET index 10.24 to 1,171.86 in volume of 53.8m shares worth Bt4.06bn.

Investors picked up bargains in the finance sector, which had fallen by more than 50 per cent since the start of the year. National Finance & Securities made Bt6.50 to Bt76 after announcing better than expected first-quarter results.

BOMBAY was sharply lower as individual investors and funds sold heavily in blue chips. The BSE 30-share index fell 54.08 to 3,210.71.

Reliance Industries dropped Rs11.25 to Rs262.50 on unconfirmed reports that the Unit Trust of India (UTI) had been raided by the income tax department, investigating a private placement of Reliance shares with UTI last October.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 26 1995								TUESDAY APRIL 25 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (83)	168.30	0.5	155.82	90.03	121.56	154.63	0.4	3.92	168.42	154.72	86.91	119.53	153.99	180.62	157.95	169.27
Austria (27)	186.68	-1.4	171.82	99.27	134.04	133.95	-0.3	1.32	189.38	173.96	97.72	134.39	134.31	196.89	167.46	174.51
Belgium (35)	194.26	-1.0	178.79	103.30	139.48	136.14	0.2	3.87	196.17	180.20	101.23	139.21	135.92	196.17	161.68	169.06
Brazil (28)	134.15	3.5	123.47	71.33	96.32	226.31	3.0	1.43	129.61	119.06	66.88	91.98	219.61	-	-	-
Canada (102)	135.32	-0.1	124.55	71.96	97.16	133.53	-0.3	2.62	135.51	124.48	69.93	96.16	133.97	140.25	120.54	130.29
Denmark (33)	271.50	-0.2	249.88	144.37	194.94	200.32	0.6	1.58	272.19	250.04	140.46	193.16	199.13	275.27	236.51	256.67
Finland (24)	199.73	1.1	183.82	106.21	143.41	176.58	1.7	1.34	197.51	181.43	101.92	140.16	175.60	201.41	133.88	148.46
France (101)	186.46	-0.9	171.61	99.15	133.88	142.29	0.0	3.09	188.17	172.85	97.10	133.53	142.35	188.17	157.79	171.51
Germany (59)	153.86	-0.1	141.61	81.82	110.47	110.47	1.1	2.10	154.05	141.51	79.49	109.32	109.32	154.61	132.08	143.12
Hong Kong (55)	329.24	-2.6	303.04	175.08	236.41	326.89	-2.6	4.16	337.93	310.43	174.38	239.81	335.66	416.42	277.40	381.84
Ireland (16)	224.36	0.4	206.50	119.31	161.10	193.29	0.8	3.60	223.51	205.32	115.34	158.61	191.76	224.36	180.67	190.45
Italy (58)	72.10	0.4	66.36	38.34	51.77	92.19	1.9	1.66	71.83	65.98	37.06	50.97	90.46	97.78	65.45	95.50
Japan (483)	159.22	-3.4	146.54	84.67	114.32	84.67	-0.5	0.90	164.82	151.40	85.05	116.96	85.05	170.10	136.95	155.10
Malaysia (97)	479.77	-2.6	441.58	255.13	344.49	455.93	-2.0	1.77	492.70	452.61	254.25	349.65	465.26	594.76	398.16	493.42
Mexico (18)	1034.99	-0.2	952.59	550.37	743.14	6636.85	-0.1	1.64	1037.31	952.88	535.28	736.12	6640.41	2414.12	647.81	1905.38
Netherland (19)	243.76	0.0	224.36	129.63	175.03	172.06	1.2	3.57	243.79	223.95	125.80	173.01	170.07	243.79	194.56	204.09
New Zealand (14)	82.60	-0.8	76.03	43.93	59.31	65.66	0.3	4.46	83.23	76.46	42.95	59.06	65.48	83.23	63.45	67.12
Norway (33)	224.19	-0.5	206.34	119.22	160.97	189.21	0.5	2.23	225.33	206.99	116.28	159.90	188.33	225.33	177.53	195.58
Singapore (44)	367.98	-1.0	338.68	195.68	264.22	236.69	-0.7	1.82	371.82	341.56	191.87	263.87	238.34	401.38	313.94	348.10
South Africa (59)	350.41	-0.2	322.51	186.38	251.60	277.27	0.0	2.44	351.13	322.55	181.19	249.18	277.19	353.13	254.99	262.92
Spain (38)	136.47	-0.6	125.60	72.57	97.99	127.72	0.5	4.42	137.25	126.08	70.82	97.40	127.11	150.21	124.10	141.90
Sweden (48)	249.30	0.4	229.45	132.57	179.00	270.77	0.2	2.12	248.39	228.18	128.18	176.28	270.29	248.50	198.70	215.13
Switzerland (47)	185.60	-0.7	170.82	98.70	133.26	131.25	0.4	1.92	186.98	171.76	96.49	132.69	130.71	186.98	149.91	159.12
Thailand (46)	138.23	-0.1	127.23	73.51	99.25	131.76	0.1	3.25	138.44	127.17	71.44	98.24	131.64	-	-	-
United Kingdom (203)	210.51	0.1	193.75	111.94	151.15	193.75	0.3	4.24	210.23	193.12	108.48	149.19	193.12	210.51	181.11	192.82
USA (510)	209.60	0.1	192.91	111.46	150.50	209.60	0.1	2.72	209.38	192.33	108.04	148.58	209.38	209.67	179.72	184.15
Americas (658)	192.26	0.1	176.96	102.24	138.05	161.16	0.1	2.69	192.02	176.39	99.09	136.26	160.97	-	-	-
Europe (741)	183.74	-0.2	169.11	97.70	131.93	153.05	0.5	3.21	184.07	169.09	94.99	130.63	152.24	184.07	160.59	169.89
Nordic (136)	241.78	0.3	222.53	128.57	173.60	215.12	0.6	1.91	241.14	221.51	124.43	171.12	213.98	241.78	197.70	207.45
Pacific Basin (822)	166.30	-3.1	153.06	88.43	119.41	94.68	-0.6	1.27	171.61	157.65	88.56	121.79	95.21	176.85	145.93	163.97
Euro-Pacific (1563)	173.46	-1.8	159.65	92.24	124.55	116.86	-0.1	2.12	176.70	162.32	91.18	125.40	116.96	176.70	154.73	169.28
North America (612)	205.00	0.1	188.68	109.01	147.19	204.46	0.1	2.72	204.80	188.13	105.68	145.34	204.27	205.09	176.47	180.80
Europe Ex. UK (538)	165.19	-0.4	152.04	87.84	118.61	130.12	0.7	2.63	165.79	152.29	85.55	117.65	129.26	165.79	144.12	153.62
Pacific Ex. Japan (339)	238.25	-1.4	219.28	126.69	171.07	209.28	-1.2	3.34	241.53	221.87	124.63	171.40	211.79	273.13	211.19	250.48
World Ex. US (1770)	173.95	-1.7	160.10	92.50	124.90	120.28	-0.1	2.13	176.99	162.58	91.33	125.60	120.36	176.89	155.42	167.23
World Ex. UK (2077)	182.02	-1.2	167.52	96.79	130.69	141.85	0.0	2.15	184.21	169.22	95.06	130.73	141.91	184.21	163.46	169.81
World Ex. Japan (1797)	199.88	-0.1	183.96	106.29	143.51	185.29	0.2	2.93	200.08	183.79	103.25	141.98	184.96	200.08	176.74	182.74
The World Index (2280)	184.52	-1.1	169.83	98.12	132.49	146.39	0.0	2.35	186.51	171.33	96.25	132.36	146.40	186.51	165.92	171.85

Latest prices were unavailable for this edition